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ABSTRACT

This training guide for a one-day workshop provides an introduction to the William D. Ford Federal Direct Loan Program for administrative personnel at higher educations institutions. The seven sections of the guide, each corresponding to a single workshop session, include activity sheets, questions for participants to answer, and space for notes. Following the introductory section, Section 2 focuses on why schools participate in the Direct Loan Program. Also covered in this section are types of loans, eligibility, loan limits, interest rates, repayment plans, and the loan process. Section 3 examines how schools participate in the Direct Loan Program, and includes institutional eligibility requirements, direct loan origination options, participation considerations, and technical specifications for electronic processing. Section 4 explains how schools deliver direct loans to borrowers. Topics covered include the loan origination process, sources of data items, disclosure statements, promissory notes, drawdown requests, disbursements, and reconciliation. Section 5 is on avoiding problems, and the discussion covers data management, accuracy, consistency, timeliness, data protection, and quality assurance. Section 6 explains where schools can find help; phone numbers are provided for specific aspects of the program and by region. Section 7 wraps up the workshop and answers 10 frequently asked questions about the Direct Loan Program. (DB)

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DIRECT LOAN OVERVIEW WORKSHOP

How Schools Deliver Direct Loans To Borrowers
Where Schools Find Help
How Schools Participate in the Direct Loan Program
How Schools Avoid Problems
Why Schools Want To Participate in the Direct Loan Program
March 1999

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Participant's Guide

U.S. Department of Education
Washington, D.C. 20202

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1 Introduction

WELCOME

Direct Loan Overview Workshop

Session One

Introduction

Welcome to the U.S. Department of Education's (ED's) workshop on the William D. Ford Federal Direct Loan Program. That's the program's full, official name. During the course of the day, we'll usually call it simply the Direct Loan Program or refer to "direct lending."

PURPOSE OF THE WORKSHOP

This workshop is for:

- people whose schools recently have joined the Direct Loan Program,
- new staff members at Direct Loan schools, or
- administrators interested in implementing Direct Loans at their schools.

Notes

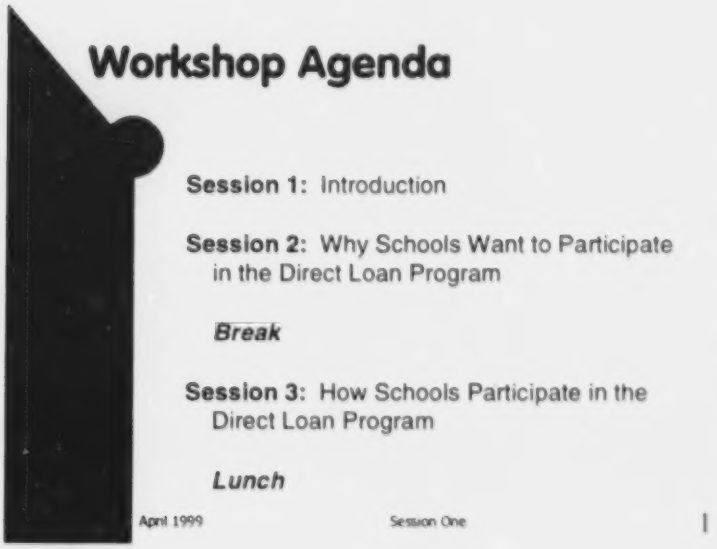
The goal of this workshop is:

- to present an overview of the procedures that are involved when a school participates in the Direct Loan Program.

The key word here is "overview." Since this is a one-day workshop, we'll only be able to discuss Direct Loan Program operations in broad, general terms. But you'll be getting a lot of basic information today, plus

- we'll have a couple of interactive training activities, and
- you'll find out where you can go for more information, for program help, and to get answers to questions once you're back on campus.

WORKSHOP AGENDA



Notes

Workshop Agenda (cont'd)

Session 4: How Schools Deliver Direct Loans to Borrowers

Break

Session 5: How Schools Avoid Problems

Session 6: Where Schools Find Help

Break

Session 7: Wrap Up

Notes

2 Why Schools Want to Participate in the Direct Loan Program

Direct Loan Overview Workshop

Session Two

Why Schools Want to Participate in the Direct Loan Program

Fill in the blank...

"The reason my school is interested in the Direct Loan Program is _____."

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Notes

TYPES OF LOANS IN THE DIRECT LOAN PROGRAM

Overview of Direct Loan Types

- Direct Subsidized Loans
- Direct Unsubsidized Loans
- Direct PLUS Loans
- Direct Consolidation Loans

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Overview of Direct Loan Types (cont'd)

- Who's eligible?
- What are the loan limits?
- What types of loans can be consolidated?
- What is the interest rate?
- When is interest charged?
- What repayment plans are available?

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Notes

Who's eligible?

- ▶ Direct Subsidized Loans
  - Undergraduate, graduate, and professional students
  - Need is a factor
- ▶ Direct Unsubsidized Loans
  - Undergraduate, graduate, and professional students
  - Need is **not** a factor

Who's eligible? (cont'd)

- ▶ Direct PLUS Loans
  - Parents of dependent undergraduate students
  - Need is **not** a factor
- ▶ Direct Consolidation Loans
  - Students and parents with federal education loans
  - Need is **not** a factor

Notes

Who is eligible for...?

Direct Subsidized Loans

- undergraduate, graduate, and professional students
- enrolled at least half time
- must meet Title IV eligibility requirements
- must have financial need

Direct Unsubsidized Loans

- undergraduate, graduate, and professional students
- enrolled at least half time
- must meet Title IV eligibility requirements
- financial need is **not** a factor

Direct PLUS Loans

- parents of dependent undergraduate students who:
  - are enrolled at least half time
  - meet Title IV eligibility requirements
- parents must also meet certain Title IV eligibility requirements, such as citizenship status
- parents must not have adverse credit history
- financial need is **not** a factor

Direct Consolidation Loans

- students and parents with Direct Loans and FFEL Program loans

What are the combined annual loan limits on Direct Subsidized Loans and Direct Unsubsidized Loans for...?

1st year undergraduate?

- dependent student—$2,625[1]
- independent student—$6,625[2]

2nd year undergraduate?

- dependent student—$3,500[1]
- independent student—$7,500[3]

3rd and 4th year undergraduate?

- dependent student—$5,500[1]
- independent student—$10,500[4]

Graduate/professional?

- all students*—$18,500[5/6]

Footnotes

1. For dependent students, the annual loan limit is also the maximum subsidized loan limit.
2. The maximum subsidized amount is $2,625.
3. The maximum subsidized amount is $3,500.
4. The maximum subsidized amount is $5,000.
5. The maximum subsidized amount is $8,500.
6. Health profession students who could have borrowed from the defunct Health Education Assistance Loan (HEAL) Program may borrow additional unsubsidized loans up to the maximum HEAL amount for the student's health professions discipline.

* For the Title IV federal student aid programs, all graduate and professional students are considered independent.

What are the combined aggregate limits on Direct Subsidized Loans and Direct Unsubsidized Loans for...?

Dependent undergraduate?

- combined subsidized and unsubsidized—$23,000
- maximum subsidized—$23,000

Independent undergraduate?

- combined subsidized and unsubsidized—$46,000
- maximum subsidized—$23,000

Graduate/professional?

- combined subsidized and unsubsidized—$138,000*
- maximum subsidized—$65,500

Footnotes

* For a health professions student who could have been eligible for the defunct Health Education Assistance Loan (HEAL) Program, the combined aggregate subsidized and unsubsidized loan limit is $189,125. The maximum subsidized portion remains $65,500.

What are the loan limits on Direct PLUS Loans?

- Direct PLUS Loans do not have specific annual loan limits or aggregate loan limits.
- The only limit is that parents may not borrow more than the student's cost of attendance minus estimated financial aid (EFA). EFA includes the student's Direct Subsidized Loan and Direct Unsubsidized Loan.

What are the loan limits on Direct Consolidation Loans?

- Direct Consolidation Loans do not have loan limits.
- The restriction is on the types of loans consolidated, not the amounts.

What federal education loans can be consolidated?

Direct Subsidized Consolidation Loans

The following loans can be combined into one Direct Subsidized Consolidation Loan:

- any Direct Subsidized Loans
- subsidized Federal Stafford Loans
- Guaranteed Student Loans (GSLs)
- Federal Insured Student Loans (FISLs)
- Federal Perkins Loans
- National Direct Student Loans
- National Defense Student Loans
- subsidized Federal Consolidation Loans
- other Direct Subsidized Consolidation Loans

Direct Unsubsidized Consolidation Loans

The following loans can be combined into one Direct Unsubsidized Consolidation Loan:

- any Direct Unsubsidized Loans
- Unsubsidized Federal Stafford Loans
- Federal Supplemental Loans for Students
- Auxiliary Loans to Assist Students (ALAS)
- Health Professions Student Loans (HPSLs)
- Health Education Assistance Loans (HEALs)
- Loans for Disadvantaged Students (LDS)
- Nursing Student Loans (NSLs)
- Federal Consolidation Loans
- other Direct Unsubsidized Consolidation Loans

Direct PLUS Consolidation Loans

- Direct PLUS Loans
- Federal PLUS Loans
- other Direct PLUS Consolidation Loans

What is the interest rate?

What are the interest rates on...

This Direct Loan	Variable or Fixed	Interest Rate Cap
• Direct Subsidized Loans?	• Variable • Set for every July 1 • Based on 91-day Treasury + 2.3%	• 8.25%
• Direct Unsubsidized Loans?	• Variable • Set for every July 1 • Based on 91-day Treasury + 2.3%	• 8.25%
• Direct PLUS Loans?	• Variable • Set for every July 1 • Based on 91-day Treasury + 3.1%	• 9%
• Direct Consolidation Loans?	• Fixed • Set at time of consolidation • Based on the weighted average of the interest rates of the loans being consolidated	• 8.25%

When is interest charged?

- Direct Subsidized Loans
  - Interest is **not** charged for:
    - Enrollment periods (at least half-time study)
    - Grace periods
    - Deferment periods
  - Interest is charged for forbearance periods
- Direct Unsubsidized Loans
  - Interest begins accruing after the first disbursement of the loan is made
  - Interest is charged throughout the life of the loan, including enrollment, grace, deferment, and forbearance periods

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When is interest charged? (cont'd)

- Direct PLUS Loans
  - Throughout the life of the loan:
    - from the date the money is applied to the student's account
    - to the date the loan is repaid in full

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Notes

When is interest charged? (cont'd)

- ▶ Direct Consolidation Loans
  - Direct Subsidized Consolidation Loans
    - same as Direct Subsidized Loans
  - Direct Unsubsidized Consolidation Loans
    - same as Direct Unsubsidized Loans
  - Direct PLUS Consolidation Loans
    - same as Direct PLUS Loans

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Notes

What is a grace period?

- A six-month period before the first payment must be made on a Direct Subsidized Loan or a Direct Unsubsidized Loan. The grace period starts the day after a borrower ceases to be enrolled in a postsecondary school program at least half time. It ends six months later, on the day before the loan repayment period starts.

What is a deferment period?

- The temporary postponement of loan payments while a borrower is engaged in certain activities. These activities are usually specified in the promissory note. Examples include at least half-time study and military service.

What is a forbearance period?

- An arrangement with the lender to postpone or reduce a borrower's monthly payment amount for a limited and specified period, or to extend the repayment period. One reason that a borrower might ask for a forberarance is economic hardship.

What repayment plans are available?

- Direct Subsidized Loans and Direct Unsubsidized Loans
  - standard repayment plan
  - extended repayment plan
  - graduated repayment plan
  - income contingent repayment plan

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What repayment plans are available? (cont'd)

- Direct PLUS Loans
  - standard repayment plan
  - extended repayment plan
  - graduated repayment plan

(**No** income contingent repayment plan)

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Notes

What repayment plans are available? (cont'd)

- ▶ Direct Consolidation Loans
  - Direct Subsidized Consolidation Loans and Direct Unsubsidized Consolidation Loans
    - Parallels repayment plans for Direct Subsidized Loans and Direct Unsubsidized Loans
  - Direct PLUS Consolidation Loans
    - Parallels repayment plans for Direct PLUS Loans

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What repayment plans are available to borrowers of...

Direct Subsidized Loans?	**A borrower may choose from:** • Standard Repayment • Extended Repayment • Graduated Repayment • Income Contingent Repayment
Direct Unsubsidized Loans?	**A borrower may choose from:** • Standard Repayment • Extended Repayment • Graduated Repayment (Income Contingent Repayment **not** available)
Direct PLUS Loans?	**A borrower may choose from:** • Standard Repayment • Extended Repayment • Graduated Repayment
Direct Consolidated Loans? • Direct Subsidized Consolidated Loans • Direct Unsubsidized Consolidated Loans • Direct PLUS Consolidated Loans	**A borrower may choose from:** • Same as Direct Subsidized Loans • Same as Direct Subsidized Loans • Same as Direct PLUS Loans

BASIC RESPONSIBLITIES OF DIRECT LOAN PARTICIPANTS

Direct Loan Program Participants

- Borrowers (students and parents)
- Schools
- ED

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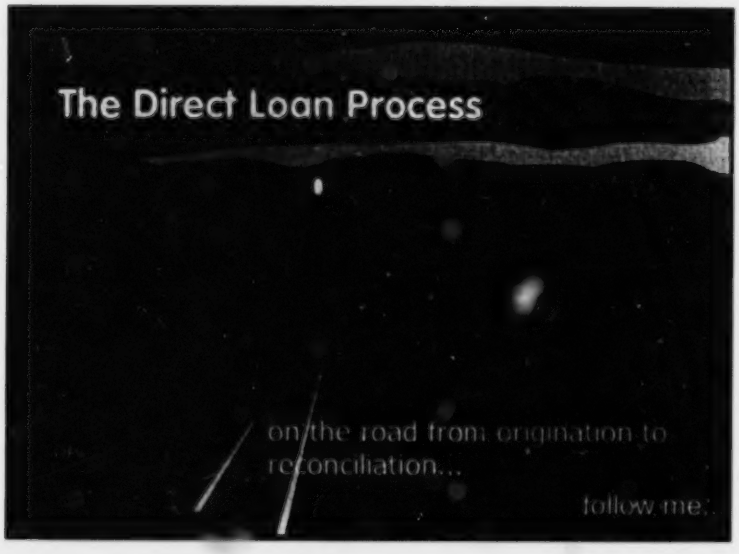
OVERVIEW OF THE DIRECT LOAN PROCESS



Notes

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First, a few rules of the road...

B = Borrower

C = Central Processing System or CPS

S = School

L = Loan Origination Center or LOC

G = Grant Administration and Payment System (GAPS)

F = Federal Reserve Bank (FRB)

D = Direct Loan Servicing Center (DLSC)

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A compass...

MPN = Master Promissory Note

LOR = Loan Origination Record

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Notes

And, a map...

A green arrow means sending information

A blue arrow means receiving information

Now, we are ready to begin...

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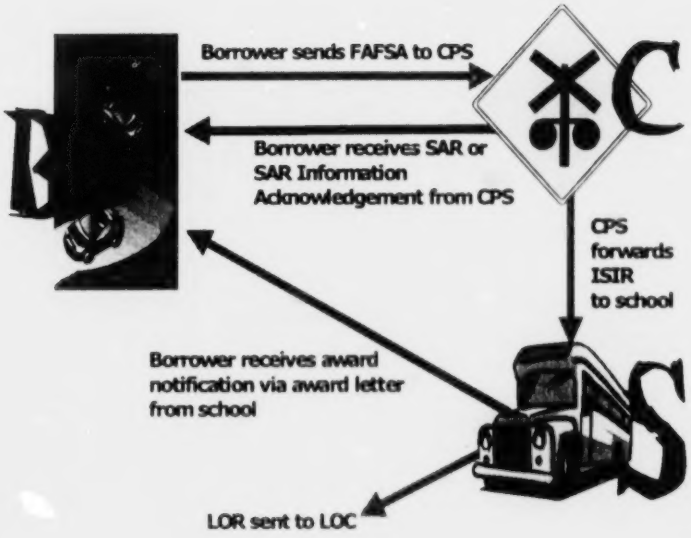
Borrower sends FAFSA to CPS
Borrower receives SAR or SAR Information Acknowledgement from CPS
CPS forwards ISIR to school
Borrower receives award notification via award letter from school
LOR sent to LOC

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Notes

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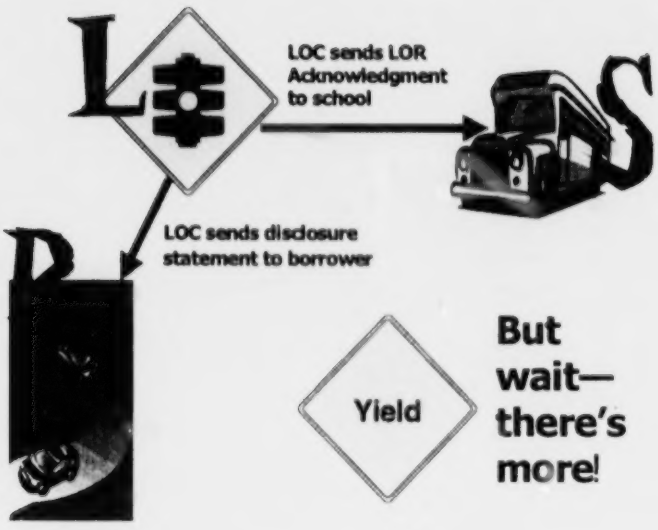

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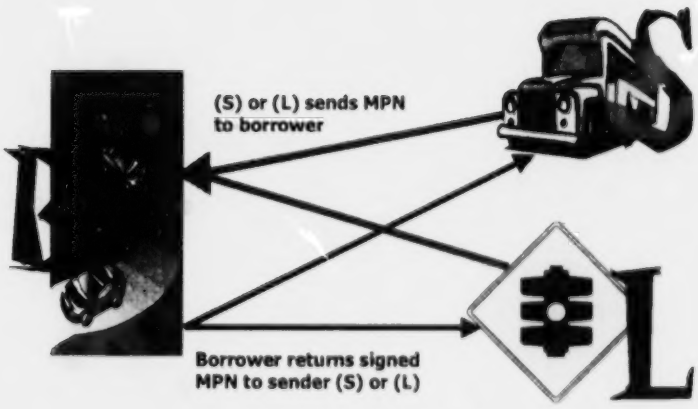

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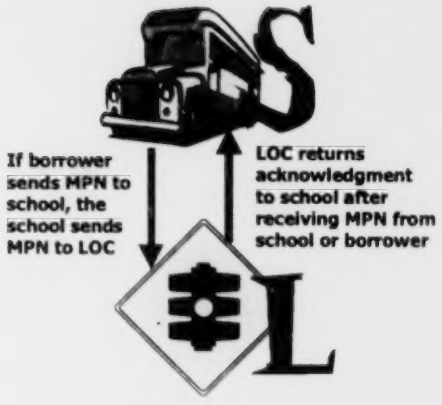
Notes


If borrower sends MPN to school, the school sends MPN to LOC
LOC returns acknowledgment to school after receiving MPN from school or borrower

This way to disbursements!

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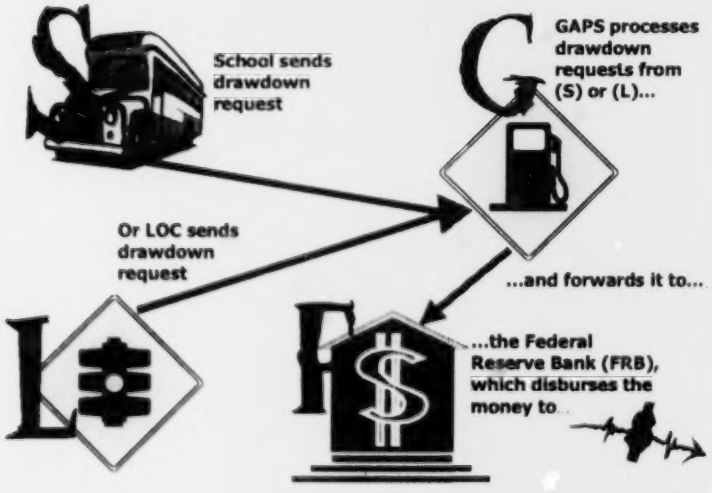
School sends drawdown request
GAPS processes drawdown requests from (S) or (L)...
Or LOC sends drawdown request
...and forwards it to...
...the Federal Reserve Bank (FRB), which disburses the money to

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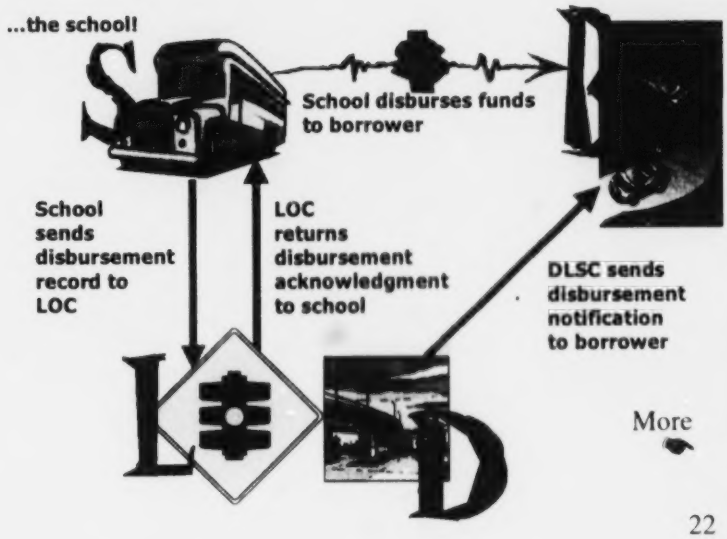
Notes


...the school!
School disburses funds to borrower
School sends disbursement record to LOC
LOC returns disbursement acknowledgment to school
DLSC sends disbursement notification to borrower

More

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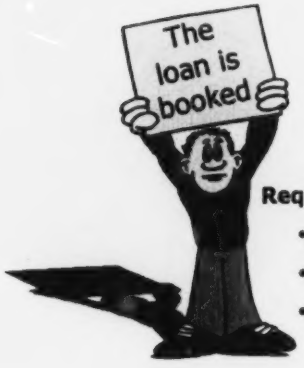

Requires:

- **accepted loan origination record**
- **accepted master promissory note**
- **accepted disbursement record**

Next stop, reconciliation

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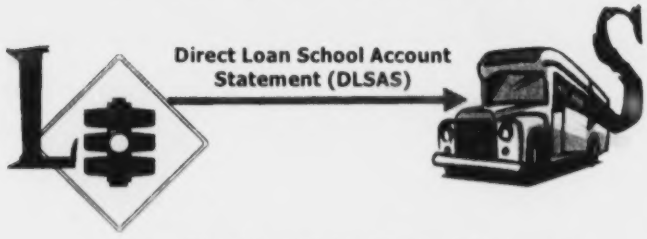
Notes

Monthly Reconciliation



- Direct Loan School Account Statement (DLSAS) is similar to a monthly bank statement.
- School uses DLSAS to reconcile records.
- CAMs help schools that have trouble with reconciliation.

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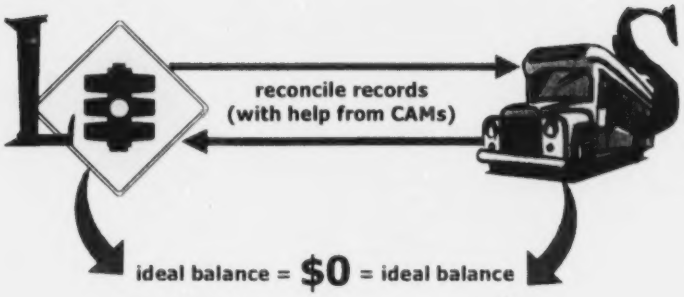
Year-End Closeout



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Notes

HOW THE DIRECT LOAN PROGRAM BENEFITS SCHOOLS

- **Simplified Paperwork**—Borrowers use one application (the Free Application for Federal Student Aid [FAFSA]) to begin the Direct Loan process, eliminating duplicate paperwork. All loan information, except for the master promissory note, is transmitted and acknowledged electronically.

- **Streamlined Administration**—Disbursements and adjustments are processed more quickly and efficiently, particularly since there is no need to obtain lender or guaranty approvals.

- **Electronic Transfer of Funds from a Single Source**—Waiting for funds from multiple lenders is no longer necessary. The improved cash flow reduces the need for short-term, emergency student loans and allows for funds to be disbursed more efficiently.

- **Control Over the Loan Process**—Borrower questions are answered quickly and accurately. Schools are given reliable information about receiving funds and on current loan record and promissory note status.

- **Assured Access to Capital**—One single, unlimited source of capital ensures that eligible students are fully funded for the entire school year. Because the federal government provides program funds, there is no risk of loss of funds due to market conditions.

- **Autonomy and Flexibility**—Schools may begin to participate in the Direct Loan Program at any time during the year. Schools are also free to participate in both the Direct Loan Program and Federal Family Education Loan (FFEL) Program, with the understanding that no student may receive both types of loans during the same loan period.

HOW THE DIRECT LOAN PROGRAM BENEFITS STUDENTS

- **Loans Obtained Quickly and Easily**—Only one application (the Free Application for Federal Student Aid [FAFSA]) is needed to apply for a Direct Loan. Electronic data and funds transfers reduce processing time and allow for more efficient disbursal of funds. Students do not need to endorse bank checks.

- **One Loan Holder, One Contact**—The U.S. Department of Education (ED) is the only loan holder the borrower will have during the life of the loan. This gives the borrower one contact source for questions involving repayment, deferment, forbearance, consolidation, and other loan issues. Also, since only one monthly payment is made, paperwork and opportunities for confusion and error are reduced.

- **Flexible Repayment Options**—Borrowers can choose from a variety of repayment plans, including income-contingent repayment. This flexibility allows borrowers to pursue postsecondary education opportunities with minimal risk of burdensome monthly payments or the possibility of defaulting on loans.

3 How Schools Participate in the Direct Loan Program

Notes

Direct Loan Overview Workshop

Session 3

How Schools Participate in the Direct Loan Program

DIRECT LOAN ENROLLMENT PROCEDURES

Direct Loan Institutional Eligibility Requirements

- Meet all general Title IV eligibility requirements
- Have a student loan cohort default rate of less than 25% (for at least one of the three most recent fiscal years for which data are available)
- Not be subject to an emergency action or a proposed or final limitation, suspension, or termination (LS&T) action related to Title IV financial aid programs

Direct Loan Enrollment Checklist

School begins the process

- ❑ To express an interest in participating, the school contacts one of the following:
  - ❑ ED's Direct Loan Task Force (202-708-9951),
  - ❑ a regional Direct Loan client account manager (CAM), or
  - ❑ the Institutional Participation and Oversight Service's (IPOS's) School Selection Team (202-708-6103)
- ❑ School then provides basic information on school letterhead:
  - ❑ School name
  - ❑ OPE ID number
  - ❑ President or CEO's name, address, telephone number, and fax number
  - ❑ Financial aid director's name, address, telephone number, and fax number
  - ❑ If the school has a preferred origination option, it should state its preference
  - ❑ The school sends it to:

    U.S. Department of Education
    School Selection/PAIB/IPOS
    ROB-3, Room 3925
    400 Maryland Avenue, SW
    Washington, DC 20202-5232

ED sends a letter that includes two copies of the Direct Loan Addendum to the school's Program Participation Agreement (PPA) and what the school's originaion level will be

- ❑ School president or CEO signs and returns both copies of the addendum to the address given above

Once ED receives the signed Direct Loan Addendum, someone from IPOS countersigns, and one copy is returned to the school for its records

- ❑ The Direct Loan Origination Center (LOC) contacts the school to set up electronic testing and sends a testing packet
- ❑ School completes a Title IV WAN (TIV WAN) agreement for Direct Loans
- ❑ The Direct Loan branch of ED's Accounting and Financial Management Service (AFMS) sends a letter that includes:
  - ❑ Authorization for deposit form
  - ❑ Direct-deposit form for new accounts established for Direct Loans only
  - ❑ Central drawdown form
- ❑ The appropriate school official completes and returns the forms to:

  U.S. Department of Education
  ROB-3, Room 5125
  7th & D Streets, SW
  Washington, DC 20202-5232

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A Direct Loan client account manager (CAM) sends the school a welcome package

Direct Loan Program Welcome Package

- Reference materials
  - *Compilation of Student Financial Aid Regulations*
  - *Direct Loan School Guide*
- Customer service and contact information

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SCHOOL ORIGINATION OPTIONS

Direct Loan Origination Options

Responsibility	Standard Origination
Create loan origination records (LORs)	✓
Transmit LORs to LOC	✓
Prepare promissory note	LOC
Obtain completed/signed prom. note	LOC
Send promissory note to LOC	n/a
Calculate need for DL funds	LOC
Request DL funds (initiate drawdown)	LOC
Receive funds from GAPS	✓
Disburse DL funds to borrowers	✓
Create disbursement records	✓
Transmit disbursement records to LOC	✓
Perform reconciliation	✓

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Notes

Direct Loan Origination Options

Responsibility	Origination Option 1
Create loan origination records (LORs)	✓
Transmit LORs to LOC	✓
Prepare promissory note	✓
Obtain completed/signed prom. note	✓
Send promissory note to LOC	✓
Calculate need for DL funds	LOC
Request DL funds (initiate drawdown)	LOC
Receive funds from GAPS	✓
Disburse DL funds to borrowers	✓
Create disbursement records	✓
Transmit disbursement records to LOC	✓
Perform reconciliation	✓

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Direct Loan Origination Options

Responsibility	Origination Option 2
Create loan origination records (LORs)	✓
Transmit LORs to LOC	✓
Prepare promissory note	✓
Obtain completed/signed prom. note	✓
Send promissory note to LOC	✓
Calculate need for DL funds	✓
Request DL funds (initiate drawdown)	✓
Receive funds from GAPS	✓
Disburse DL funds to borrowers	✓
Create disbursement records	✓
Transmit disbursement records to LOC	✓
Perform reconciliation	✓

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Direct Loan Origination Options

Responsibility	SO	O1	O2
Create loan origination records (LORs)	✓	✓	✓
Transmit LORs to LOC	✓	✓	✓
Prepare promissory note	LOC	✓	✓
Obtain completed/signed prom. note	LOC	✓	✓
Send promissory note to LOC	n/a	✓	✓
Calculate need for DL funds	LOC	LOC	✓
Request DL funds (initiate drawdown)	LOC	LOC	✓
Receive funds from GAPS	✓	✓	✓
Disburse DL funds to borrowers	✓	✓	✓
Create disbursement records	✓	✓	✓
Transmit disbursement records to LOC	✓	✓	✓
Perform reconciliation	✓	✓	✓

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See below for the chart version of this origination options overhead.

Notes

Direct Loan Origination Options

Responsibility	Standard Origination	Origination Option 1	Origination Option 2
Create loan origination records	✓	✓	✓
Transmit loan origination records to LOC	✓	✓	✓
Prepare promissory note	LOC	✓	✓
Obtain completed/signed promissory note	LOC	✓	✓
Send promissory note to LOC	n/a	✓	✓
Calculate need for Direct Loan funds	LOC	LOC	✓
Request Direct Loan funds (initiate drawdown)	LOC	LOC	✓
Receive funds from GAPS	✓	✓	✓
Disburse loan funds to borrowers	✓	✓	✓
Create disbursement records	✓	✓	✓
Transmit disbursement records to LOC	✓	✓	✓
Perform reconciliation	✓	✓	✓

Legend

✓ = school's responsibility
LOC = Loan Origination Center's responsibility
n/a = not applicable

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Criteria Required to Participate as Option 1 or Option 2 Schools

- Perkins or Pell participant for three most recent years
- Not on reimbursement payment for Pell or FSEOG
- Not overdue on submitting reports to ED
- No serious performance deficiencies for any federal student aid program
- Financially responsible (section 668.15 of the General Provisions)
- Current on federal cash transaction refunds/ does not exceed immediate need
- No outstanding debt to a federal agency

School Choices for Changing Origination Levels

To *decrease* level of responsibility, contact ED in writing. If decreasing its level, the school can choose the effective date.

To *increase* level of responsibility, contact ED in writing; ED decides Yes or No. If Yes, ED determines the effective date.

Send requests to:

U.S. Department of Education
School Selection/PAIB/IPOS
ROB-3, Room 3925
600 Independence Avenue, SW
Washington, DC 20202-5232

Telephone: 202-708-6103,
Fax: 202-708-9485

Notes

PARTICIPATION CONSIDERATIONS

Participation Considerations

- ▶Student customer service
- ▶Organization
- ▶Staffing
- ▶Computer systems
- ▶Resources and commitment
- ▶Outsourcing

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See the two-page Direct Loan Considerations for Participation Questionnaire starting on the next page.

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Notes

Direct Loan Considerations for Participation Questionnaire

Student Customer Service

What origination level would best serve the school's students?

To what extent does the school want to participate in the Direct Loan Program?

Does the school want to transition completely to the Direct Loan Program?

Does the school want to offer both Direct Loans and FFEL Program loans?

If the school decides to offer loans from both programs, how does it plan to do so?

Will students get to choose which program they want to borrow from?

Will Direct Loans be available to certain classes, such as incoming students or graduate students?

Organization

Which offices will be involved in administering the Direct Loan Program?

- ☐ Financial Aid Office?
- ☐ Business Office?
- ☐ Registrar's Office?
- ☐ Computer Center?
- ☐ Other?

How will the responsibilities be divided among the offices?

Staffing

Are the staffing levels of the offices involved sufficient to provide such service?

continued...

Direct Loan Considerations for Participation Questionnaire

Staffing (cont'd)

For which origination level is staffing sufficient?

- ☐ Standard Origination?
- ☐ Origination Option 1?
- ☐ Origination Option 2?

Computer Systems

Does the school meet ED's electronic capability requirements?

Will the school dedicate computer time and personnel to implement and maintain the Direct Loan Program?

What computer environment should the school choose to administer the Direct Loan Program?

- ☐ A PC environment using EDExpress software or vendor software?
- ☐ Custom mainframe environment?
- ☐ Combination of mainframe and PC?

How will the school network its computers so that:

the school can easily import and export Direct Loan data to and from ED?

the offices administering the Direct Loan Program have ready and appropriate access to information?

Resources and Commitment

If the staffing is not adequate for the desired origination level, does the school have the resources and the commitment to increase staff size?

If computer systems and support are not adequate, does the school have t. e resources and commitment to enhance its computer systems and provide support?

Outsourcing

Should the school consider contracting with a third-party servicer?

Required Deadline Dates and Electronic Processes

Deadline Date	Designated Electronic Processes
January 1, 1998	• Participating in the Title IV Wide Area Network (TIV WAN) • For the 1998-99 processing year[1] and beyond — Receiving Institutional Student Information Records (ISIRs) — Adding your school to the Central Processing System (CPS) Record — Having online access to the National Student Loan Data System (NSLDS) • TIV WAN enrollment document can be downloaded (in PDF format). See "Dear Colleague" Letter GEN 98-24 at http://www.ifap.ed.gov
July 1, 1998	• Having access to the Information for Financial Aid Professional (IFAP) Web site • Submitting the Application for Approval to Participate in Federal Student Financial Aid Programs (initial certification, recertification, reinstatement, and changes) through the Internet • Submitting the Fiscal Operations Report and Application to Participate (FISAP) through TIVWAN
July 1, 1999	• For the 1999-2000 award year and beyond: — Reporting Federal Pell Grant payments *electronically* through TIV WAN • Submitting Student Status Confirmation Report (SSCR) data *electronically* to NSLDS • Submitting Federal Perkins Loan data *electronically* to NSLDS

Footnote

1. The application processing cycle last 18 months. For the 1998-99 award year, application processing begins in January 1998, and applications for that year will be accepted until June 30, 1999.

Technical Specifications for Electronic Processing

Equipment	Minimum Configuration (required by January 1, 1999)
Hardware	• IBM or fully IBM-compatible PC • 200 MHZ Pentium processor or comparable • 64 MB RAM • 4.0 GB SCSI Hard Drive • 56K Analog Modem • 3.5-inch/1.44 MB Diskette Drive • SVGA Monitor • Windows 95 Keyboard • Laser printer capable of printing on standard paper (8.5 x 11-inch) • 12 x CD-ROM with sound board[1]
Software	• 32 bit operating system • Windows 95, Windows 98, or Windows NT 4.x • an Internet Service Provider (ISP)[2] • Netscape Navigator 3.0 or 3.01 (domestic), Explorer 4.0, or other Web browser[3]
Phone Line	• Dedicated phone line
Diskettes	• 3.5-inch high density, double-sided diskettes

Footnotes

1. Required if school wants to use the EDExpress Tutorial and the AWARE software.
2. Will be necessary to access the Information for Financial Aid Professionals (IFAP) Web site and to submit the Application for Approval to Participate in Federal Student Financial Aid Programs (initial certification, recertification, reinstatement, and changes).
3. Currently, may use Internet Explorer 4.0 or 4.01 (with 5PA) *or* Netscape Navigator 3.0 or 3.01 (domestic) to access FAFSA on the Web. ED is testing other Web browsers that will be made available to the public in the near future.

SMALL-GROUP DISCUSSION

You are a member of your school's Direct Loan Implementation Committee. The agenda this week is to examine what's involved in each of the three origination options. Your goal: to report to the school's president on the benefits and drawbacks of your school participating at each of the Direct Loan origination levels.

The committee membership consists of:

- Financial aid office director
- Financial aid office associate director for systems
- Financial aid office loan counselor
- Business office associate director
- Student accounts manager
- Student accounts assistant manager
- Computer center's programmer

Choose a spokesperson who will report to the whole group on your group's conclusions and how you came to your conclusions.

If there are more committee members than participants:

- assume there are no-shows at the meeting and proceed accordingly.

If there are more participants than committee members:

- assume that the financial aid office, business office, and/or computer center have brought additional staff because this meeting is a particularly important one.

Notes

School Scenario #1

Big State University

Big State University (BSU) is currently an FFEL school. It is trying to decide how to implement Direct Loans. The population of BSU is 20,000. BSU is a traditional four-year school.

BSU meets all of the eligibility requirements. For example, the administrative center's computers are all connected to a new network system, which is in compliance with all of ED's electronic capability requirements. For this reason, BSU will implement the Direct Loan Program using its mainframe. It will not need EDExpress software.

However, the financial aid office is having staff turnover problems. The associate director is out on maternity leave; two front desk staff just quit; and the remaining staff are scheduling vacation time. The business office is in a similar situation. Both offices will be involved in administering the Direct Loan Program. The school has committed a half-time computer support technician for the implementation period.

1. **What are the benefits and drawbacks of Standard Origination for BSU?**

2. **What are the benefits and drawbacks of Origination Option 1 for BSU?**

3. **What are the benefits and drawbacks of Origination Option 2 for BSU?**

School Scenario #2

Bonnie's Beauty Bonanza

Bonnie's Beauty Bonanza (BBB) wants to get into the Direct Loan Program. BBB is a 600 clock-hour school. New sessions start every three months.

The owner, Bonnie Brady, feels that Direct Loans would be better for her school. BBB only processes 15 to 30 loans each award year. As a result, she has a hard time trying to find an FFEL lender for so few loans. The majority of her students receive Federal Pell Grants only. The administrative staff consists of Bonnie and two other people, one of whom is part time.

Until recently, BBB was entirely a paper operation. BBB has stepped into the electronic age very quickly because of ED's electronic capability requirements and the fact that the Direct Loan Program is an all-electronic process. Bonnie also has hired her nephew (a computer-systems consultant) to help. BBB will definitely use EDExpress to process Direct Loans.

1. **What are the benefits and drawbacks of Standard Origination for BBB?**

2. **What are the benefits and drawbacks of Origination Option 1 for BBB?**

3. **What are the benefits and drawbacks of Origination Option 2 for BBB?**

School Scenario #3

City Junior Colleges

Two of the three City Junior Colleges' (CJCs') campuses are going to switch to the Direct Loan Program. The CJCs are two-year institutions that operate on a quarter system. The combined enrollment for the two campuses is 4,500. (The third school's default rate is 31 percent.)

Some of the CJCs' financial and administrative functions are handled from the district headquarters central database. However, each campus has a separate OPE ID number, financial aid office, and cashier's office. District headquarters provides occasional computer support. One of the campuses has frequent TIV WAN data transmission problems. The other campus has a history of significantly misestimating its immediate cash needs for Federal Pell Grant and campus-based funds.

The CJCs plan to be a combination school, that is, using both EDExpress and its mainframe, which headquarters administers, to manage the Direct Loan Program. It contracts with a computer-consulting firm for technical support on an "as needed" basis.

1. **What are the benefits and drawbacks of Standard Origination for CJC?**

2. **What are the benefits and drawbacks of Origination Option 1 for CJC?**

3. **What are the benefits and drawbacks of Origination Option 2 for CJC?**

School Scenario #4

The Ira Institute

The Ira Institute (II or "Double Eye") is a 600 clock-hour school. Ira and his sister, Irma, perform all of the administrative functions of the school. The enrollment is small and varies from 50 to 100 students.

Double Eye has chosen to go with the Direct Loan Program because it processes a few loans intermittently throughout the award year.

Ira and Irma do not consider themselves especially computer literate. Their small LAN meets ED's requirements.

1. **What are the benefits and drawbacks of Standard Origination for Double Eye?**

2. **What are the benefits and drawbacks of Origination Option 1 for Double Eye?**

3. **What are the benefits and drawbacks of Origination Option 2 for Double Eye?**

4 How Schools Deliver Direct Loans to Borrowers

Direct Loan Overview Workshop

Session Four

How Schools Deliver Direct Loans to Borrowers

Notes

PRE-QUIZ

Q1: What is the purpose of loan origination?

A1: _____

_____

_____

4-4

Q2: What document do borrowers receive detailing their loan type, loan amount, and anticipated disbursement dates? From whom do they receive it?

A2: _____

_____

_____

Q3: Who prepares master promissory notes for borrowers?

A3: _____

_____

_____

Q4: True or False: The LOC uses the master promissory note to collect borrower's requested loan amount.

A4: _____

_____

_____

Q5: Which report(s) do schools use to complete monthly reconciliation?

A5: _____

_____

_____

Notes

Q6: Loan origination information comes from what three primary sources?

A6: _____

_____

_____

Q7: A student who completes and signs the *revised* version of the Direct Loan master promissory note doesn't fill in a requested loan amount. The school determines that the student is eligible for $2,000 in Direct Loan funds. How much may the student borrow?

A7: _____

_____

_____

Origination

Notes

Origination

- FAFSA
- School's internal records
- Data generated by Direct Loan systems

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Origination

- The loan origination process is complete when:
  - the loan origination record is complete and accurate,
  - the school sends the loan origination record to the LOC,
  - the LOC accepts the loan origination record, and
  - the LOC sends acknowledgement to the school.

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Notes

Where Direct Loan Record Data Items Come From

	Borrower/Student Data Items	General Loan Record Data Items
FAFSA	• Borrower's Social Security number* • Borrower's name* • Borrower's address* • Borrower's home phone number • Borrower's driver's license number and state • Borrower's date of birth* • Borrower's citizenship status (including alien registration number if eligible non-citizen)* • Student's year in school*	
School	• Record of defaults on education loan or owed repayment on grant* • Student's anticipated completion date • Loan entrance interview	• Loan type (Direct Subsidized, Direct Unsubsidized, Direct PLUS)* • Requested loan amount (cannot be more than loan eligibility)* • Loan amount approved* • User that created record*
Direct Loan Systems		• School code number* • Loan period start date* • Loan period end date* • Academic year start date • Academic year end date • 1st, 2nd, 3rd, 4th anticipated disbursement date • Loan identifier* • Loan year* • Loan sequence number* • Origination record transmit date • Anticipated loan fees • Anticipated gross loan amount • Anticipated net loan amount • Loan origination status • Origination date • Date/time record created • Servicer code • Last update date/time

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* LOC requires this information on the loan origination record.

Disclosure Statements

- The disclosure statement is a separate document.
- It provides information about:
  - loan types,
  - loan amounts, and
  - anticipated disbursement dates.

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Disclosure Statements

- After the schools sends the loan origination record to the LOC:
  - the LOC prints the disclosure statement and sends it to the borrower.
- ED may authorize some schools to print their own disclosure statements.
  - Interested schools should contact the Direct Loan Task Force at **202-708-9951**.

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Notes

Direct Loans

William D. Ford Federal Direct Loan Program

Disclosure Statement
William D. Ford Federal Direct Loan Program

WARNING: Any person who knowingly makes a false statement or misrepresentation on this form is subject to penalties which may include fine, imprisonment, or both, under the U.S. Criminal Code and 20 U.S.C. 1097.

Federal Direct Stafford/Ford Loan
Federal Direct Unsubsidized Stafford/Ford Loan

Borrower Information

1. Name (last, first, middle initial) and Address (street, city, state, zip code)

2. Identification Number(s)

3. Area Code/Telephone Number

School Information

4. School Name

5. School Address (street, city, state, zip code)

6. School Code/Branch

Loan Information

7. Loan Period From: MM/DD/YYYY To: MM/DD/YYYY

8. Date of This Disclosure Statement (MM/DD/YYYY)

THIS DISCLOSURE STATEMENT REPLACES ANY PREVIOUS DISCLOSURES YOU RECEIVED FOR YOUR LOAN(S).

IF YOU HAVE ANY QUESTIONS ABOUT THIS STATEMENT OR YOUR PROMISSORY NOTE, CONTACT YOUR SCHOOL.

The total of the **Loan Amount** for both Direct Subsidized Loans and Direct Unsubsidized Loans is the total principal amount certified by your school on the loan(s) as of the date of this Disclosure Statement. The **Net Disbursement Amount** reflects the amount you will actually receive after loan fees are deducted.

For terms applicable to the loan(s), please refer to the Master Promissory Note and the Borrower's Rights and Responsibilities Statement. YOU WILL BE NOTIFIED BY YOUR SCHOOL AND BY THE DIRECT LOAN SERVICING CENTER WHEN DISBURSEMENTS ARE MADE. **BEFORE DISBURSEMENTS ARE MADE YOU MUST HAVE SIGNED A PROMISSORY NOTE.**

IF YOU DO NOT WANT ALL OR A PORTION OF ANY DISBURSEMENTS REFLECTED ON THIS DISCLOSURE, YOU MAY DECLINE THE LOAN(S) OR REDUCE THE AMOUNT OF THE LOAN(S) BY NOTIFYING YOUR SCHOOL IN WRITING OR BY RETURNING THE FUNDS WITHIN THE FOLLOWING TIMEFRAMES:

IF YOUR SCHOOL CREDITS YOUR LOAN(S) TO YOUR STUDENT ACCOUNT, YOU MAY CANCEL ALL OR A PORTION OF THE LOAN(S) BY INFORMING YOUR SCHOOL WITHIN 14 DAYS AFTER THE DATE YOUR SCHOOL SENDS YOU A DISBURSEMENT NOTICE, OR BY THE FIRST DAY OF THE PAYMENT PERIOD, WHICHEVER IS LATER. (YOUR SCHOOL CAN TELL YOU THE FIRST DAY OF YOUR PAYMENT PERIOD.)

YOU MUST RETURN ANY FUNDS RECEIVED WITHIN 120 DAYS OF DISBURSEMENT TO AVOID INCURRING INTEREST CHARGES AND LOANS FEES. (THE LOAN FEE WILL BE REDUCED OR ELIMINATED IN PROPORTION TO THE AMOUNT OF THE DISBURSEMENT RETURNED.)

NOTE: THE INTEREST RATE ON THIS LOAN IS VARIABLE

9. *The chart below shows anticipated disbursement amounts and dates. Actual amounts and dates may vary.*

Keep this document for your records.

	Anticipated Disbursement Dates (Month/Day/Year)	Loan Amount	Loan Fee Rate	Loan Fee Amount	Net Disbursement Amount
Direct Subsidized Loan					
	Total:				
Direct Unsubsidized Loan					
	Total:				

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Master Promissory Notes

- LOC must print and collect master promissory notes from borrowers at Standard Origination schools.
- Origination Option 1 schools and Origination Option 2 schools are authorized to print and collect their own promissory notes from borrowers—or
  - they may have the LOC do it for them.

Master Promissory Notes

- Borrower or school return signed master promissory note to LOC
- If signed and complete, LOC:
  - accepts the master promissory note and
  - sends acknowledgment to school

Notes

Master Promissory Notes

- New for 1999-2000 (single-year only)
- Must be used for Direct Subsidized Loans and Direct Unsubsidized Loans
- Not available for Direct PLUS Loans
- Multiple-year master promissory note available beginning in 2000-01

Master Promissory Notes

- The master promissory note is different from the previous promissory note.
  - Certifications and authorization fields are now on the front page.
  - School loan certification information now appears in the disclosure statement.
  - Print specifications have been simplified for Origination Option 1 schools and Origination Option 2 schools that print their own notes.

Notes

Master Promissory Notes

- An important change is that the master promissory note does **not** have a printed dollar amount.
- No dollar amount listing is required.
- Without a borrower signing a new promissory note, a school can change:
  - Direct Loan amounts and
  - distributions between Direct Subsidized Loans and Direct Unsubsidized Loans.

Master Promissory Notes

- For 1999-2000, ED has two versions of the Direct Loan master promissory note.
  - original version
  - revised version
- Difference between the two versions is Item 8.
  - Item 8 deals with loan amount requested.
- Schools may use either version.

Notes

"Original" Version

Direct Loans

Master Promissory Note
William D. Ford Federal Direct Loan Program

WARNING: Any person who knowingly makes a false statement or misrepresentation on this form is subject to criminal and civil penalties that may include fines and imprisonment. See the Privacy Act Statement and the Public Burden Statement before completing this form.

OMB No. 1840-0732
Form Approved
Exp. Date 12/31/2001

Federal Direct Stafford/Ford Loan
Federal Direct Unsubsidized Stafford/Ford Loan

Section A: To Be Completed By The Borrower

1. Driver's License State and Number
2. Social Security No.
3. E-mail address
4. Name and Address (street, city, state, zip code)
   Last, First, M.I.
5. Date of Birth
6. Area Code/Telephone No.

7. References: You must list two persons with different U.S. addresses who have known you for at least three years. The first reference should be a parent or legal guardian.

	1	2
Name		
Permanent Address		
City, State, Zip Code		
Area Code/Telephone Number	( )	( )
Relationship to Borrower		

8. Requested Loan Amount: I request a total amount of subsidized and unsubsidized loans under this Master Promissory Note not to exceed the allowable maximums under the Higher Education Act. For this academic period, I request the maximum amount the school determines I am eligible to receive unless I enter a lower amount below.

$ _____.00

Section B: To Be Completed By The School

9. School Name and Address
10. School Code/Branch
11. Identification No.

Borrower Certifications and Authorizations — ***Read carefully before signing below.***

12. I declare under penalty of perjury that the following is true and correct:

- I certify that the information I have provided on this Master Promissory Note and as updated by me from time to time is true, complete, and correct to the best of my knowledge and belief and is made in good faith.
- I certify that I will immediately repay any loan proceeds that cannot be attributed to educational expenses for attendance on at least a half-time basis at the school that certified my loan eligibility.
- I certify that I do not now owe a refund on a Federal Pell Grant, Supplemental Educational Opportunity Grant, or a State Student Incentive Grant and that I am not now in default on any loan received under the Federal Perkins Loan Program (including NDSL loans), the Federal Direct Loan Program (Direct Loans), or the Federal Family Education Loan Program (FFEL Program), or, I have made satisfactory repayment arrangements on the defaulted loan.

13. For all Direct Subsidized and Direct Unsubsidized Loans (as described in the additional Note provisions and the Borrower's Rights and Responsibilities statement) I receive under this Master Promissory Note, and for certain other loans as described below, I make the following authorizations:

- I authorize my school to certify my eligibility for loans under this Master Promissory Note.
- I authorize my school to credit my loan proceeds to my student account.
- I authorize my school to pay to the U.S. Department of Education (ED) any refund that may be due up to the full amount of the loans.
- I authorize ED to investigate my credit record and report information concerning my loan status to persons and organizations permitted by law to receive such information.
- Unless I notify ED differently, I request and authorize ED to: (i) during the in-school and grace periods of any loans made under this Note, defer and align the repayment of principal on all of my Direct Loans that are in repayment status; and (ii) add interest which I must pay that accrues on all my Direct Loans to the principal balance of such loans ("capitalization"), including such loans made under this Note during periods of forbearance and, for unsubsidized loans, during in-school, grace, and deferment periods, as provided under the Act. "Capitalization" will increase the principal balance on my loans and the total amount of interest cost I incur.
- I authorize the release of information pertinent to my loans: (i) by the school and ED, to the references on the applicable loans and to members of my immediate family unless I submit written directions otherwise; and, (ii) by and among my schools, lenders, guarantors, the U.S. Department of Education, and their agents.

Promise to Pay

14. I promise to pay to the U.S. Department of Education all sums disbursed (hereafter "loan" or "loans") under the terms of this Master Promissory Note (hereafter "Note"), plus interest and other charges and fees that may become due as provided in this Note. **I understand that multiple loans may be made to me under this Note.** I understand that by accepting any disbursements issued at any time under this Note, I accept the obligation to repay the loans. I understand I may cancel or reduce the amount of any loan by refusing to accept or by returning all or a portion of any disbursement that is issued. I may pay interest that accrues on my Federal Direct Unsubsidized Stafford/Ford Loans during in-school, grace, and deferment periods, or may allow it to accumulate and be added to the principal balance of such loans. If I fail to make any payment on any loan made under this Note when due, I will also pay reasonable collection costs, including but not limited to attorney's fees, court costs, and other fees. I will not sign this Note before reading it, including the writing on the reverse side, even if otherwise advised. I am entitled to an exact copy of this Note and the Borrower's Rights and Responsibilities statement. My signature certifies I have read, understand, and agree to the terms and conditions of this Note, including the Borrower Certifications and Authorizations printed above, the Notice on the reverse side, and the accompanying Borrower's Rights and Responsibilities statement.

I UNDERSTAND THAT I MAY RECEIVE ONE OR MORE LOANS UNDER THIS MASTER PROMISSORY NOTE, AND THAT I MUST REPAY SUCH LOAN(S).

15. Borrower's Signature _____ **16. Today's Date** ***(Month/Day/Year)*** _____

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Master Promissory Note (continued)

DISCLOSURE OF LOAN TERMS

This Note applies to both Federal Direct Stafford/Ford Loans (Direct Subsidized Loans) and Federal Direct Unsubsidized Stafford/Ford Loans (Direct Unsubsidized Loans) described in the Interest section below. I agree that each loan is separately enforceable based on a true and exact copy of this Note. Loans disbursed under this Note are subject to the annual and aggregate loan limits specified in the Higher Education Act of 1965, as amended, 20 U.S.C. 1070 et seq., and applicable U.S. Department of Education (ED) regulations (collectively referred to as the "Act").

Under this Note, the principal amount that I owe, and am required to repay, will be the sum of all disbursements issued (unless I reduce or cancel any disbursements as provided below).

At or before the time of the first disbursement for each loan, a disclosure statement will be issued to me identifying the amount of the loan and additional terms of the loan. Important additional information is also disclosed in the Borrower's Rights and Responsibilities statement accompanying this Note. The Borrower's Rights and Responsibilities statement and any disclosure statement I receive in connection with any loan under this Note are hereby incorporated into this Note.

I may request additional loan funds for my educational costs up to the annual and aggregate loan limit(s) from my school. If my school determines that I am eligible for any additional or adjusted loan amount, my school may comply such amount.

My eligibility for Direct Subsidized Loans and Direct Unsubsidized Loans may change based on changes in my financial circumstances. My school will notify me of any changes in my eligibility. I will be notified of changes or additions to my Direct Subsidized Loans and Direct Unsubsidized Loans in a separate disclosure statement.

LOAN CANCELLATION

I may pay back all or a portion of a disbursement within time frames set by the Act and identified in the Borrower's Rights and Responsibilities statement or other disclosure statement I receive at or before disbursement. In such case, the loan fee will be reduced or eliminated in proportion to the amount of the disbursement returned. I will not incur interest charges if I return the full loan amount as provided in the Act.

INTEREST

Unless ED notifies me in writing of a lower rate(s), the rate(s) of interest for my loans are those specified in the Act. The rate is presented in the Borrower's Rights and Responsibilities statement accompanying this Note or in another disclosure that is issued to me.

Interest accrues on the unpaid principal balance of each loan from the date of disbursement until the loan is paid in full. I agree to pay all interest charges on my Direct Subsidized Loans. I agree to pay all interest charges on my Direct Unsubsidized Loans. If I fail to make required payments of interest before the beginning or resumption of principal repayment, or during a period of deferment or forbearance, I agree that ED may capitalize such interest, as provided under the Act. There is no federal interest subsidy on unsubsidized loans, so the total amount of interest I am required to repay on unsubsidized loans will be higher than on subsidized loans.

LOAN FEE

A loan fee is charged for each Direct Subsidized Loan and Direct Unsubsidized Loan equal to the amount required by the Act. I will pay such fee as identified in the disclosure statement, which will be deducted proportionately from each disbursement of my loans. I understand the loan fees may be refundable only to the extent permitted by the Act.

LATE CHARGES AND COLLECTION COSTS

ED may collect from me: (i) a late charge for each late installment payment if I fail to make any part of a required installment payment within 90 days after it becomes due; and (ii) any other charges and fees that are permitted by the Act for the collection of my loans. If I default on any loans, I shall pay reasonable collection fees and costs, plus court costs and attorney fees.

REPAYMENT

I am obligated to repay the full amount of the loans made under this Note and accrued interest. Direct Subsidized and Unsubsidized Loans have a repayment grace period of 6 months. I will repay the principal of my loans in periodic installments during repayment periods that begin on the day immediately following the end of the applicable grace period. Payments submitted by me or on my behalf (exclusive of refunds) will be applied first to charges and collection costs that are due, then to accrued interest that has not been capitalized, and finally to the principal amount. I understand that the School's certification of my loan eligibility determines whether my loans must be repaid as subsidized and/or unsubsidized Direct Loans.

The Direct Loan Servicing Center will provide me with a repayment schedule that identifies my payment amounts and due dates. **Direct Loan repayment information is covered in the Borrower's Rights and Responsibilities statement.**

If I am unable to make my scheduled loan payments, ED may allow me to reduce my payment amount, to extend the time for making payments, or to temporarily stop making payments as long as I intend to repay my loan. Allowing me to temporarily delay or reduce loan payments is called forbearance.

I agree that ED may align payment dates on my loans or may grant me forbearance to eliminate a delinquency that persists even though I am making scheduled installment payments.

I may prepay all or any part of the unpaid balance on my loans at any time without penalty. If I do not specify which loans I am prepaying, ED will determine how to apply the prepayment in accordance with the Act. Upon repayment in full of each loan under this Note, I agree to accept written notification of such loan payoff in place of receiving the original Note.

ACCELERATION AND DEFAULT

At the option of ED, the entire unpaid balance of the applicable loans shall become immediately due and payable upon the occurrence of any one of the following events: (i) I fail to enroll as at least a half-time student at the School that certified my loan eligibility; (ii) I fail to use the proceeds of the loans solely for educational expenses; (iii) I make a false representation(s) that results in my receiving any loans for which I am not eligible; or (iv) I default on the loans.

The following events shall constitute a default on my loans: (i) I fail to pay the entire unpaid balance of the applicable loans after ED has exercised its option under items (i), (ii), and (iii) in the preceding paragraph; (ii) I fail to make installment payments when due, provided my failure has persisted for at least 270 days; or (iii) I fail to comply with other terms of the loans, and ED reasonably concludes I no longer intend to honor my repayment obligation. If I default, ED may capitalize all the outstanding interest into a new principal balance, and collection fees will become immediately due and payable.

If I default, the default will be reported to all national credit bureau organizations and will significantly and adversely affect my credit history. I acknowledge that a default shall have additional adverse consequences to me as disclosed in the Borrower's Rights and Responsibilities statement. Following default, the loans may be subject to income-contingent repayment (including potential collection of amounts in excess of the principal and interest) in accordance with the Act.

GOVERNING LAW AND NOTICES

The terms of this Note will be interpreted in accordance with the Higher Education Act of 1965, as amended (20 U.S.C. 1070 et seq.), and other applicable federal statutes and regulations.

Any notice required to be given to me will be effective if mailed by first class mail to the latest address ED has for me. I will immediately notify ED of a change of address or status as specified in the Borrower's Rights and Responsibilities Statement.

Failure by ED to enforce or insist on compliance with any term on this Note shall not be a waiver of any right of ED. No provision of this Note may be modified or waived except in writing. If any provision of this Note is determined to be unenforceable, the remaining provisions shall remain in force.

Notice: Applicable to Loans Received After the Initial Enrollment Period

This Master Promissory Note authorizes ED to disburse multiple loans during the multi-year term of this Note upon my request and upon the School's certification of my loan eligibility.

Subsequent loans may be made under this Note for subsequent periods of enrollment only at four-year or graduate schools, or other schools, as designated by the Secretary of the U.S. Department of Education. I agree that no subsequent loans will be made under this Note after the earliest of the following dates: (i) the date ED receives my written notice that no further loans may be disbursed under the Note; (ii) one year after the date of my first anticipated disbursement on this Note if no disbursement is made during such twelve month period; or (iii) ten years after the date of the first anticipated disbursement made under this Note.

Any amendment to the Act governs the terms of any loans disbursed on or after the effective date of such amendment, and such amended terms are hereby incorporated into this Master Promissory Note.

BEST COPY AVAILABLE

"Original" Version

Direct Loans

Master Promissory Note
William D. Ford Federal Direct Loan Program

Instructions and Notices

OMB No. 1845-0732
Form Approved
Exp. Date 12/31/2001

Federal Direct Stafford/Ford Loan
Federal Direct Unsubsidized Stafford/Ford Loan

Instructions for Completing Promissory Note

This is a Master Promissory Note under which you may receive multiple Direct Subsidized Loans and Direct Unsubsidized Loans over a maximum ten year period.

Section A: To Be Completed By The Borrower
Use Blue or Black ink ball point pen or typewriter. Do not complete this form in pencil.

Section A must be completed by the student who is applying to be a borrower of a Federal Direct Stafford/Ford Loan (Direct Subsidized Loan) and/or a Federal Direct Unsubsidized Stafford/Ford Loan (Direct Unsubsidized Loan). Items 1 and 2 and Items 4 through 6 may have been preprinted on the Promissory Note by the school certifying your loan, if you provided this information on your Free Application for Federal Student Aid (FAFSA). You should review all the questions and responses and enter information for any items that are not preprinted. Cross out any incorrect information and print the correct information. Incorrect or incomplete information may cause your loan to be delayed.

All references to "you" mean the student borrower.

Item 1: Enter the two-letter abbreviation for the state that issued your current driver's license followed by the driver's license number. If you do not have a current driver's license, enter the letters "N/A".

Item 2: Enter your nine-digit Social Security Number. If this item has been completed for you, review it for correctness. If it is incorrect, cross out the entire incorrect number and print the entire correct Social Security Number in this box. Your loan(s) cannot be processed without your Social Security Number. Read the Privacy Act and the Financial Privacy Act Notices below before completing this item.

Item 3: Enter your e-mail address if you have one.

Item 4: Enter your last name, then your first name and middle initial. Enter your permanent street address, apartment number, city, state and zip code.

Item 5: Enter the month, day, and four-digit year of your birth. Use only numbers. Be careful not to enter the current year.

Item 6: Enter the area code and telephone number for the address listed in Item 1. If you do not have a telephone, enter "N/A".

Item 7: Enter the requested reference information for two adults who do not share a common address. The first reference should be a parent or legal guardian. References with addresses outside the United States are not acceptable. Provide relationship of references to you.

Item 8: Your school will determine the amount of the Direct Subsidized and Direct Unsubsidized Loans you are eligible to receive for this academic period. You may request less. If you would like to request a lower amount, write in the amount you request. ***Note: If you do not enter an amount, this will result in a loan request for the amount the school determines you are eligible to receive.***

Items 12, 13, and 14: Read these items carefully.

Items 15 and 16: After reviewing the terms of the Promissory Note, you must sign your full legal name, in blue or black ink, and enter the date you signed this Promissory Note.

By signing, you:

A) Acknowledge that you have read, understand, and agree to the provisions in the Master Promissory Note including the Borrower Certifications and Authorizations and the Borrower's Rights and Responsibilities statement.

B) Agree to repay the loan(s) in full according to the terms and conditions in the Master Promissory Note.

Section B: To Be Completed By The School
These three items must be completed by the school.

Important Notices

Privacy Act Notice

The Privacy Act of 1974 (5 U.S.C. 552a) requires that the following notice be provided to you. The authority for collecting the information requested on this form is §451 et seq. of the Higher Education Act of 1965, as amended. Your disclosure of this information is voluntary. However, if you do not provide this information, you cannot be considered for a Direct Subsidized Loan and/or Direct Unsubsidized Loan made under the William D. Ford Federal Direct Loan (Direct Loan) Program. The principal purposes for collecting this information are to process your Direct Subsidized Loan and/or Direct Unsubsidized Loan, to document your agreement to repay this loan, and to identify and locate you if it is necessary to enforce this loan. The information in your file may be disclosed to third parties as authorized under routine uses in the Privacy Act notices called "Title IV Program Files" (originally published on April 12, 1994, Federal Register, Vol. 59, p. 17351) and "National Student Loan Data System" (originally published on December 20, 1994, Federal Register, Vol. 59, p. 65502). Thus, this information may be disclosed to federal and state agencies, private parties such as relatives, present and former employers and creditors, and contractors of the Department of Education for purposes of administration of the student financial assistance programs, for enforcement purposes, for litigation where such disclosure is compatible with the purposes for which the records were collected, for use by federal, state, local, or foreign agencies in connection with employment matters or the issuance of a license, grant, or other benefit, for use in any employee grievance or discipline proceeding in which the Federal Government is a party, for use in connection with audits or other investigations, for research purposes, for purposes of determining whether particular records are required to be disclosed under the Freedom of Information Act and to a Member of Congress in response to an inquiry from the congressional office made at your written request.

Because we request your social security number (SSN), we must inform you that we collect your SSN on a voluntary basis, but sections 484(a)(4) of the HEA (20 U.S.C. 1091(a)(4)) provides that, in order to receive any grant, loan, or work assistance under Title IV of the HEA, a student must provide his or her SSN. Your SSN is used to verify your identity, and as an account number (identifier) throughout the life of your loan(s) so that data may be recorded accurately.

Financial Privacy Act Notice.
Under the Right to Financial Privacy Act of 1978 (12 U.S.C. 3401-3421), ED will have access to financial records in your student loan file maintained in compliance with the administration of the Direct Loan Program.

Paperwork Reduction Notice.
According to the Paperwork Reduction Act of 1995, no persons are required to respond to a collection of information unless it displays a currently valid OMB control number. The valid OMB control number for this information collection is 1845-0732. The time required to complete this information collection is estimated to average 1.0 hour (60 minutes) per response, including the time to review instructions, search existing data resources, gather and maintain the data needed, and complete and review the information collection. **If you have any comments concerning the accuracy of the time estimate(s) or suggestions for improving the form, please write to:** U.S. Department of Education, Washington, DC 20202-4651. **If you have any comments or concerns regarding the status of *your individual submission* of this form, write directly to:**

School Relations
U.S. Department of Education
Loan Origination Center
P.O. Box 5602
Montgomery, Alabama 36103-5602

BEST COPY AVAILABLE

"Revised" Version

Direct Loans

Master Promissory Note
William D. Ford Federal Direct Loan Program

WARNING: Any person who knowingly makes a false statement or misrepresentation on this form is subject to penalties which may include fines, imprisonment or both, under the U.S. Criminal Code and 20 U.S.C. 1097.

OMB No. 1840-0743
Form Approved
Exp. Date 09/30/1999

Federal Direct Stafford/Ford Loan
Federal Direct Unsubsidized Stafford/Ford Loan

Section A: To Be Completed By The Borrower

1. Driver's License State and Number
2. Social Security No.
3. E-mail address
4. Name and Address (street, city, state, zip code)
<-Last, First, M.I.
5. Date of Birth
6. Area Code/Telephone No.

7. References: You must list two persons with different U.S. addresses who have known you for at least three years. The first reference should be a parent or legal guardian.

	1.	2.
Name		
Permanent Address		
City, State, Zip Code		
Area Code/Telephone Number	( )	( )
Relationship to Borrower		

8. Requested Loan Amount: I request a total amount of subsidized and unsubsidized loans under this Master Promissory Note not to exceed the allowable maximums under the Higher Education Act. My school will notify me of type(s) and amount(s) of loan(s) that I am eligible to receive. I may decline a loan or request a lower amount by contacting my school. Additional information about my right to cancel or reduce my loan is included in the Borrower's Rights and Responsibilities statement and Disclosure Statements that have been or will be provided to me.

Section B: To Be Completed By The School

9. School Name and Address
10. School Code/Branch
11. Identification No.

Borrower Certifications and Authorizations — ***Read carefully before signing below.***

12. I declare under penalty of perjury that the following is true and correct:

- I certify that the information I have provided on this Master Promissory Note and as updated by me from time to time is true, complete, and correct to the best of my knowledge and belief and is made in good faith.
- I certify that I will immediately repay any loan proceeds that cannot be attributed to educational expenses for attendance on at least a half-time basis at the school that certified my loan eligibility.
- I certify that I do not now owe a refund on a Federal Pell Grant, Supplemental Educational Opportunity Grant, or a State Student Incentive Grant and that I am not now in default on any loan received under the Federal Perkins Loan Program (including NDSL loans), the Federal Direct Loan Program (Direct Loans), or the Federal Family Education Loan Program (FFELP) or, I have made satisfactory repayment arrangements on the defaulted loan.

13. For all Direct Subsidized and Direct Unsubsidized Loans (as described in the additional Note provisions and the Borrower's Rights and Responsibilities statement) I receive under this Master Promissory Note, and for certain other loans as described below, I make the following authorizations:

- I authorize my school to certify my eligibility for loans under this Master Promissory Note.
- I authorize my school to credit my loan proceeds to my student account.
- I authorize my school to pay to the U.S. Department of Education (ED) any refund that may be due up to the full amount of the loans.
- I authorize ED to investigate my credit record and report information concerning my loan status to persons and organizations permitted by law to receive such information.
- Unless I notify ED differently, I request and authorize ED to: (i) during the in-school and grace periods of any loans made under this Note, defer and align the repayment of principal on all of my Direct Loans that are in repayment status; and (ii) add interest which I must pay that accrues on all my Direct Loans to the principal balance of such loans ("capitalization") including such loans made under this Note during periods of forbearance and, for unsubsidized loans, during in-school, grace, and deferment periods, as provided under the Act. "Capitalization" will increase the principal balance on my loans and the total amount of interest cost I incur.
- I authorize the release of information pertinent to my loans: (i) by the school and ED, to the references on the applicable loans and to members of my immediate family unless I submit written directions otherwise; and (ii) by and among my schools, lenders, guarantors, the U.S. Department of Education, and their agents.

Promise to Pay

14. I promise to pay to the U.S. Department of Education all sums disbursed (hereafter "loan" or "loans") under the terms of this Master Promissory Note (hereafter "Note"), plus interest and other charges and fees that may become due as provided in this Note. **I understand that multiple loans may be made to me under this Note.** I understand that by accepting any disbursements issued at any time under this Note, I accept the obligation to repay the loans. I understand I may cancel or reduce the amount of any loan by refusing to accept or by returning all or a portion of any disbursement that is issued. I may pay interest that accrues on my Federal Direct Unsubsidized Stafford/Ford Loans during in-school, grace, and deferment periods, or may allow it to accumulate and be added to the principal balance of such loans. If I fail to make any payment on any loan made under this Note when due, I will also pay reasonable collection costs, including but not limited to attorney's fees, court costs, and other fees. I will not sign this Note before reading it, including the writing on the reverse side, even if otherwise advised. I am entitled to an exact copy of this Note and the Borrower's Rights and Responsibilities statement. My signature certifies I have read, understand, and agree to the terms and conditions of this Note, including the Borrower Certifications and Authorizations printed above, the Notice on the reverse side, and the accompanying Borrower's Rights and Responsibilities statement.

I UNDERSTAND THAT I MAY RECEIVE ONE OR MORE LOANS UNDER THIS MASTER PROMISSORY NOTE, AND THAT I MUST REPAY SUCH LOAN(S).

15. Borrower's Signature _____ **16. Today's Date** ***(Month/Day/Year)*** _____

Additional Note Provisions follow

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"Revised" Version

Master Promissory Note (continued)

DISCLOSURE OF LOAN TERMS

This Note applies to both Federal Direct Stafford/Ford Loans (Direct Subsidized Loans) and Federal Direct Unsubsidized Stafford/Ford Loans (Direct Unsubsidized Loans) described in the Interest section below. I agree that each loan is separately enforceable based on a true and exact copy of this Note. Loans disbursed under this Note are subject to the annual and aggregate loan limits specified in the Higher Education Act of 1965, as amended, 20 U.S.C. 1070 et seq., and applicable U.S. Department of Education (ED) regulations (collectively referred to as the "Act").

Under this Note, the principal amount that I owe, and am required to repay, will be the sum of all disbursements issued (unless I reduce or cancel any disbursements as provided below).

At or before the time of the first disbursement for each loan, a disclosure statement will be issued to me identifying the amount of the loan and additional terms of the loan. Important additional information is also disclosed in the Borrower's Rights and Responsibilities statement accompanying this Note. The Borrower's Rights and Responsibilities statement and any disclosure statement I receive in connection with any loan under this Note are hereby incorporated into this Note.

I may request additional loan funds for my educational costs (up to the annual and aggregate loan limits) from my school. If my school determines that I am eligible for any additional or adjusted loan amount my school may certify such amount.

My eligibility for Direct Subsidized Loans and Direct Unsubsidized Loans may change based on changes in my financial circumstances. My school will notify me of any changes in my eligibility. I will be notified of changes or additions to my Direct Subsidized Loans and Direct Unsubsidized Loans in a separate disclosure statement.

LOAN CANCELLATION

I may pay back all or a portion of a disbursement within time frames set by the Act and identified in the Borrower's Rights and Responsibilities statement or other disclosure statement I receive at or before disbursement. In such case, the loan fee will be reduced or eliminated in proportion to the amount of the disbursement returned. I will not incur interest charges if I return the full loan amount as provided in the Act.

INTEREST

Unless ED notifies me in writing of a lower rate(s), the rate(s) of interest for my loans are those specified in the Act. The rate is presented in the Borrower's Rights and Responsibilities statement accompanying this Note or in another disclosure that is issued to me.

Interest accrues on the unpaid principal balance of each loan from the date of disbursement until the loan is paid in full. I agree to pay all interest charges on my Direct Subsidized Loans. I agree to pay all interest charges on my Direct Unsubsidized Loans. If I fail to make required payments of interest before the beginning or resumption of principal repayment, or during a period of deferment or forbearance, I agree that ED may capitalize such interest, as provided under the Act. There is no federal interest subsidy on unsubsidized loans, so the total amount of interest I am required to repay on unsubsidized loans will be higher than on subsidized loans.

LOAN FEE

A loan fee is charged for each Direct Subsidized Loan and Direct Unsubsidized Loan equal to the amount required by the Act. I will pay such fee as identified in the disclosure statement, which will be deducted proportionately from each disbursement of my loans. I understand the loan fees may be refundable only to the extent permitted by the Act.

LATE CHARGES AND COLLECTION COSTS

ED may collect from me: (i) a late charge for each late installment payment if I fail to make any part of a required installment payment within 30 days after it becomes due; and (ii) any other charges and fees that are permitted by the Act for the collection of my loans. If I default on any loans, I shall pay reasonable collection fees and costs, plus court costs and attorney fees.

REPAYMENT

I am obligated to repay the full amount of the loans made under this Note and accrued interest. Direct Subsidized and Unsubsidized Loans have a repayment grace period of 6 months. I will repay the principal of my loans in periodic installments during repayment periods that begin on the day immediately following the end of the applicable grace period. Payments submitted by me or on my behalf (exclusive of refunds) will be applied first to charges and collection costs that are due, then to accrued interest that has not been capitalized, and finally to the principal amount. I understand that the School's certification of my loan eligibility determines whether my loans must be repaid as subsidized and/or unsubsidized Direct Loans.

The Direct Loan Servicing Center will provide me with a repayment schedule that identifies my payment amounts and due dates. **Direct Loan repayment information is covered in the Borrower's Rights and Responsibilities statement.**

If I am unable to make my scheduled loan payments, ED may allow me to reduce my payment amount, to extend the time for making payments, or to temporarily stop making payments as long as I intend to repay my loan. Allowing me to temporarily delay or reduce loan payments is called forbearance.

I agree that ED may align payment dates on my loans or may grant me forbearance to eliminate a delinquency that persists even though I am making scheduled installment payments.

I may prepay all or any part of the unpaid balance on my loans at any time without penalty. If I do not specify which loans I am prepaying, ED will determine how to apply the prepayment in accordance with the Act. Upon repayment in full of each loan under this Note, I agree to accept written notification of such loan payoff in place of receiving the original Note.

ACCELERATION AND DEFAULT

At the option of ED, the entire unpaid balance of the applicable loans shall become immediately due and payable upon the occurrence of any one of the following events: (i) I fail to enroll as at least a half-time student at the School that certified my loan eligibility, (ii) I fail to use the proceeds of the loans solely for educational expenses, (iii) I make a false representation(s) that results in my receiving any loans for which I am not eligible, or (iv) I default on the loans.

The following events shall constitute a default on my loans: (i) I fail to pay the entire unpaid balance of the applicable loans after ED has exercised its option under items (i), (ii), and (iii) in the preceding paragraph; (ii) I fail to make installment payments when due, provided my failure has persisted for at least 270 days; or (iii) I fail to comply with other terms of the loans, and ED reasonably concludes I no longer intend to honor my repayment obligation. If I default, ED may capitalize all the outstanding interest into a new principal balance, and collection fees will become immediately due and payable.

If I default, the default will be reported to all national credit bureau organizations and will significantly and adversely affect my credit history. I acknowledge that a default shall have additional adverse consequences to me as disclosed in the Borrower's Rights and Responsibilities statement. Following default, the loans may be subject to income-contingent repayment (including potential collection of amounts in excess of the principal and interest) in accordance with the Act.

GOVERNING LAW AND NOTICES

The terms of this Note will be interpreted in accordance with the Higher Education Act of 1965, as amended (20 U.S.C. 1070 et seq.) and other applicable federal statutes and regulations.

Any notice required to be given to me will be effective if mailed by first class mail to the latest address ED has for me. I will immediately notify ED of a change of address or status as specified in the Borrower's Rights and Responsibilities Statement.

Failure by ED to enforce or insist on compliance with any term on this Note shall not be a waiver of any right of ED. No provision of this Note may be modified or waived except in writing. If any provision of this Note is determined to be unenforceable, the remaining provisions shall remain in force.

Notice: Applicable to Loans Received After the Initial Enrollment Period

This Master Promissory Note authorizes ED to disburse multiple loans during the multi-year term of this Note upon my request and upon the School's certification of my loan eligibility.

Subsequent loans may be made under this Note for subsequent periods of enrollment only at four-year or graduate schools, or other schools, as designated by the Secretary of the U.S. Department of Education. I agree that no subsequent loans will be made under this Note after the earliest of the following dates: (i) the date ED receives my written notice that no further loans may be disbursed under the Note; (ii) one year after the date of my first anticipated disbursement on this Note if no disbursement is made during such twelve month period; or (iii) ten years after the date of the first anticipated disbursement made under this Note.

Any amendment to the Act governs the terms of any loans disbursed on or after the effective date of such amendment, and such amended terms are hereby incorporated into this Master Promissory Note.

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"Revised" Version

Direct Loans

Master Promissory Note
William D. Ford Federal Direct Loan Program

Instructions and Notices

OMB No. 1840-0743
Form Approved
Exp. Date 09/30/1999

Federal Direct Stafford/Ford Loan
Federal Direct Unsubsidized Stafford/Ford Loan

Instructions for Completing Promissory Note

This is a Master Promissory Note under which you may receive multiple Direct Subsidized Loans and Direct Unsubsidized Loans over a maximum ten year period.

Section A: To Be Completed By The Borrower
Use blue or black ink ball point pen or typewriter. Do not complete this form in pencil.

Section A must be completed by the student who is applying to be a borrower of a Federal Direct Stafford/Ford Loan (Direct Subsidized Loan) and/or a Federal Direct Unsubsidized Stafford/Ford Loan (Direct Unsubsidized Loan). Items 1 and 2 and Items 4 through 6 may have been preprinted on the Promissory Note by the school certifying your loan, if you provided this information on your Free Application for Federal Student Aid (FAFSA). You should review all the questions and responses and enter information for any items that are not preprinted. Cross out any incorrect information and print the correct information. Incorrect or incomplete information may cause your loan to be delayed.

All references to "you" mean the student borrower.

Item 1: Enter the two-letter abbreviation for the state that issued your current driver's license followed by the driver's license number. If you do not have a current driver's license, enter the letters "N/A."

Item 2: Enter your nine-digit Social Security Number. If this item has been completed for you, review it for correctness. If it is incorrect, cross out the entire incorrect number and print the entire correct Social Security Number in this box. Your loan(s) cannot be processed without your Social Security Number. Read the Privacy Act and the Financial Privacy Act Notices below before completing this item.

Item 3: Enter your e-mail address if you have one.

Item 4: Enter your last name, then your first name and middle initial. Enter your permanent street address, apartment number, city, state, and zip code.

Item 5: Enter the month, day, and four-digit year of your birth. Use only numbers. Be careful not to enter the current year.

Item 6: Enter the area code and telephone number for the address listed in Item 1. If you do not have a telephone, enter "N/A."

Item 7: Enter the requested reference information for two adults who do not share a common address. The first reference should be a parent or legal guardian. References with addresses outside the United States are not acceptable. Provide relationship of references to you.

Item 8: Your school will notify you of the amount of Direct Subsidized and Direct Unsubsidized Loans you are eligible to receive for this and subsequent academic periods. You may decline a loan or request a lower amount by contacting your school. Additional information is included under "Loan Cancellation" in the Borrower's Rights and Responsibilities statement.

Items 12, 13, and 14: Read these items carefully.

Items 15 and 16: After reviewing the terms of the Promissory Note, you must sign your full legal name, in blue or black ink, and enter the date you signed this Promissory Note.

By signing, you:

A) Acknowledge that you have read, understand, and agree to the provisions in the Master Promissory Note including the Borrower Certifications and Authorizations and the Borrower's Rights and Responsibilities statement.

B) Agree to repay the loan(s) in full according to the terms and conditions in the Master Promissory Note.

Section B: To Be Completed By The School
These three items must be completed by the school.

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Because we request your social security number (SSN), we must inform you that we collect your SSN on a voluntary basis, but section 483(a)(3) of the HEA (20 U.S.C. 1090(a)(3)) provides that, in order to receive any grant, loan, or work assistance under Title IV of the HEA, a student must provide his or her SSN. Your SSN is used to verify your identity, and as an account number (identifier) throughout the life of your loan(s) so that data may be recorded accurately.

Financial Privacy Act Notice.
Under the Right to Financial Privacy Act of 1978 (12 U.S.C. 3401-3421), ED will have access to financial records in your student loan file maintained in compliance with the administration of the Direct Loan Program.

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School Relations
U.S. Department of Education
Loan Origination Center
P.O. Box 5692
Montgomery, Alabama 36103-5692

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Revised Promissory Notes

The statement for Item 8 of the revised master promissory note:

> "Requested Loan Amount: I request a total amount of subsidized and unsubsidized loans under this Master Promissory Note not to exceed the allowable maximums under the Higher Education Act. My school will notify me of the type(s) and amount(s) of loan(s) that I am eligible to receive. I may decline a loan or request a lower amount by contacting my school. Additional information about my right to cancel or reduce my loan is included in the Borrower's Rights and Responsibilities statement and Disclosure Statements that have been or will be provided to me."

Revised master promissory note information about Item 8 from the note's instructions:

> "Item 8. Your school will notify you of the amount of Direct Subsidized and Direct Unsubsidized Loans you are eligible to receive for this and subsequent academic periods. You may decline a loan or request a lower amount by contacting your school. Additional information is included under 'Loan Cancellation' in the Borrower's Rights and Responsibilities statement."

Master Promissory Notes

- The LOC does not collect information about loan amount requested.
  - Schools may disburse up to the maximum amount for which a student is eligible.
    - If a student enters less than maximum eligibility in Item 8, he or she does not sign a new master promissory note to obtain additional loan funds.
    - However, the school must document the student's request for a higher loan amount.

Notes

Master Promissory Notes

What if...?

April 1999 Session Four 13

What if...? Scenario

Jack is a second-year student at a small private college. His award letter from the school's financial aid office states that he is eligible for the full $3,500 in Direct Subsidized Loan and $4,000 in Direct Unsubsidized Loan.

Jack wants to keep his education indebtedness as low as possible, especially from unsubsidized loans. He thinks he can make ends meet with a $3,500 Direct Subsidized Loan and a $1,000 Direct Unsubsidized Loan.

Jack just received the master promissory note from the college. He needs to complete and sign it. Then, he'll return the master promissory note to the college.

Notes

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Q1: What if Jack completed and signed the original version of the master promissory note and doesn't enter anything in Item 8?

A1: _____

_____

_____

Q2: What if Jack completed and signed the revised version of the master promissory note and decides that he underestimated how much he needs to borrow by $1,000?

A2: _____

_____

_____

Q3: What if Jack completed and signed the original version of the master promissory note, enters $4,500 in Item 8, and then realizes he's underestimated how much he needs to borrow by $1,000?

A3: _____

_____

_____

Q4: What if Jack puts $7,500 in Item 8 of the original version of the master promissory note and decides he wants to borrow $1,000 more than the original $4,500 he had in mind?

A4: _____

_____

_____

Q5: What if there's been a change? Jack is now only eligible for a $2,500 Direct Subsidized Loan and a $5,000 Direct Unsubsidized Loan.

A5: _____

_____

_____

Notes

Master Promissory Notes

- Circumstances that require a borrower to sign another master promissory note:
  - Borrower goes to another school.
  - School makes more than four disbursements for a single loan type.
  - Borrower progresses to a new borrower-based academic year.

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Drawdown Requests

Drawdown Requests

- The LOC makes drawdown requests for:
  - Standard Origination schools
  - Origination Option 1 schools

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Notes

Drawdown Requests

- The funds the LOC requests are:
  - based on disbursement amounts and dates in loan origination records,
  - borrower-specific,
  - processed through ED's Grant Administration and Payment System (GAPS), and
  - wired from Federal Reserve Bank (FRB) to school's federal bank account.

Drawdown Requests

- Origination Option 2 schools are authorized to make drawdown requests through GAPS.
- The drawdown request is based on estimated funds needed to meet immediate need.
- Requests are not borrower-specific.
- Funds are wired from the FRB into a school's federal bank account.
  - Direct Loans may go into a federal bank account used for other Title IV funds.
  - But, ED suggests a separate account.

Notes

Disbursements

- Before disbursing funds, a school must:
  - confirm that it has a signed, completed promissory note from the borrower, and
  - verify that the borrower remains eligible to receive Direct Loan funds and is eligible to receive the amount of Direct Loan funds about to be disbursed.
- School assumes the liability if disbursement takes place before it receives the LOC's promissory note acknowledgment.

Notes

Funding and Disbursement Timeline
Standard Origination Schools
and
Origination Option 1 Schools

30-45 days before disbursement	**4** days before disbursement	**2** days before disbursement	Disbursement date
▲	▲	▲	▲
LOC sends school an anticipated disbursement list; school sends updates or changes to LOC	LOC requests funds and sends actual disbursement roster to school	LOC makes the drawdown request; school receives funds	School disburses funds to borrowers

Disbursements

- Standard Origination schools and Origination Option 1 schools disburse funds to specific borrowers according to the actual disbursement roster.
- Origination Option 2 schools may disburse funds to any eligible borrower.

Disbursements

- For all schools:
  - The disbursement record must be sent to the LOC within 30 days of disbursement.
  - Any funds not disbursed within three days must be returned to ED as excess cash.

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Notes

Change Records

- Direct Loan information is updated using change records.
- All change records are forwarded to the LOC.

Change Records

- All data items in a borrower's loan record are subject to change records, such as
  - demographic information,
  - loan amounts,
  - loan distribution, and
  - anticipated disbursement dates.

Notes

Reconciliation

- Reconciliation is monthly.
- The LOC sends schools a monthly Direct Loan School Account Statement (DLSAS).
- A school can receive up to three DLSASs for up to three open academic years.
- The LOC sends the DLSAS to a school on approximately the same date each month.

Reconciliation

- The DLSAS contains three reports:
  - a cash summary report,
  - a cash detail report, and
  - an optional loan detail report.

Notes

Reconciliation

- The cash summary report shows totals for all booked loan transactions recorded during the month, including:
  - drawdowns,
  - excess cash returns,
  - disbursements,
  - adjustments, and
  - cancellations.
- It also shows year-to-date unbooked loan totals.

Reconciliation

- The cash detail report reviews all the month's:
  - drawdowns and
  - returned excess cash.

Notes

Reconciliation

- The loan detail report, which is optional, gives the month's borrower-specific disbursement information for booked loans and unbooked loans.

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Reconciliation

- Schools are required to reconcile internal records with DLSAS information.
- If a school can't reconcile, it **may** create its own loan detail file (this is optional) and send it to the LOC.
  - The LOC compares the file and generates a loan detail report showing any differences.
  - The school uses the LOC report to identify and resolve any cash balance issues.
  - Need help? Call the CAM.

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Notes

Reconciliation

▶ The ending cash balance on the DLSAS for one month will appear as the beginning cash balance on the DLSAS for the next month.

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Reconciliation

▶ Careful monthly reconciliation makes year-end closeout easy.

- Cash balances are academic-year-specific.
- Each academic year begins with a $0 cash balance.
- Year-end closeout is complete when the school and the LOC show a $0 cash balance.
  - This means the school has accounted for all Direct Loan funds received from ED for the year, and the unbooked loan balance is $0.

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Notes

DLSAS Cash Summary

Report Date: 09/17/1999 U.S. DEPARTMENT OF EDUCATION PAGE: 1
Report Time: 10:26:58 1999-2000 Federal Direct Loan Program
Direct Loan School Account Statement
THIS DOCUMENT CONTAINS SENSITIVE INFORMATION PROTECTED BY THE PRIVACY ACT
****

BATCH ID : AS0G9999919990910113421
LOC Process Date: 09/10/1999

School Code: G99999
Month End: 08/31/1999

CASH SUMMARY

Beginning Balance:			$	1,000
Cash Receipts:	$	10,000		
Excess Cash Returned:	$	600		
Total Cash Receipts			$	9,400
Net Booked Disb. Actual:	$	5,040		
Net Booked Disb. Adjustments:	$	-200		
Total Net Booked Loan Detail			$	4,840
Ending Cash Balance:			$	5,560
Net Unbooked Disb. Actual:	$	1,440		
Net Unbooked Disb. Adjustments:	$	-120		
Total Net Unbooked Loan Detail			$	1,320
Adjusted Ending Cash Balance:			$	4,240

******

The LOC's Ending Cash Balance represents the Department's official cash balance for your school at the end of the current month. This ending cash balance from the LOC's records will be used by the Department to monitor the cash activity and balances at your school. If your records do not agree, please notify your Customer Service Representative IMMEDIATELY.

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DLSAS Cash Detail

Report Date: 09/17/1999 U.S. DEPARTMENT OF EDUCATION PAGE: 2
Report Time: 10:26:58 1999-2000 Federal Direct Loan Program
Direct Loan School Account Statement
THIS DOCUMENT CONTAINS SENSITIVE INFORMATION PROTECTED BY THE PRIVACY ACT
****

BATCH ID : AS0G9999919990910113421
LOC Process Date: 09/10/1999

School Code: G99999
Month End: 08/31/1999

CASH DETAIL RECORDS FOR THIS MONTH

TRANS TYPE	DATE	AMOUNT	GAPS CONTROL #	CHECK #
Cash Receipt	08/10/1999	$ 6,000	9876543211234	
Cash Receipt	08/31/1999	$ 4,000	9876543214321	
Excess Cash	08/18/1999	$ 600		123456

DLSAS Loan Detail

Report Date: 09/17/1999 U.S. DEPARTMENT OF EDUCATION PAGE: 3
Report Time: 10:26:58 1999-2000 Federal Direct Loan Program Direct
Loan School Account Statement
THIS DOCUMENT CONTAINS SENSITIVE INFORMATION PROTECTED BY THE PRIVACY ACT

BATCH ID : AS0G99999199909101134 21
LOC Process Date: 09/10/1999
School Code: G99999
Month End: 08/31/1999
LOAN DETAIL RECORDS

BORROWER'S NAME / LOAN ID	DISB#/TYPE / SEQ#/DATE	LOC AMOUNT	STATUS	BOOKED DATE
Washington, George	1 D		BOOKED	08/20/1999
111111111S00G99999001	08/15/1999	$ 1500	GROSS	
		$ 60	FEE	
		$ 1440	NET	
		$ 0	NET ADJUSTMENT	
Washington, George	1 D		BOOKED	08/20/1999
111111111U00G99999001	08/15/1999	$ 1000	GROSS	
		$ 40	FEE	
		$ 960	NET	
		$ 0	NET ADJUSTMENT	
Washington, Martha	1 D		BOOKED	08/20/1999
111112222S00G99999001	08/15/1999	$ 1500	GROSS	
		$ 60	FEE	
		$ 1440	NET	
		$ 0	NET ADJUSTMENT	
Washington, Martha	1 D		BOOKED	08/20/1999
111112222U00G99999001	08/15/1999	$ 2000	GROSS	
		$ 80	FEE	
		$ 1200	NET	
		$ 0	NET ADJUSTMENT	
Jefferson, Thomas	1 A		BOOKED	08/25/1999
333333333U00G99999001	08/17/1999	$ 150	GROSS	
		$ 6	FEE	
		$ 144	NET	
		$ -200	NET ADJUSTMENT	
Dean, James	1 D		UNBOOKED	
222222222S00G99999001	08/15/1999	$ 1750	GROSS	
		$ 70	FEE	
		$ 1680	NET	
		$ 0	NET ADJUSTMENT	
Franklin, Benjamin	1 A		UNBOOKED	
454545454S00G99999001	08/17/1999	$ 150	GROSS	
		$ 6	FEE	
		$ 144	NET	
		$ -120	NET ADJUSTMENT	

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POST-QUIZ

Now that we've had a chance to look over the components of the Direct Loan process, let's do a quick review.

Q1: What three items are required to book a loan?

A1: _____

_____

_____

Q2: Which Direct Loan participant determines the amount of the borrower's loan?

A2: _____

_____

_____

Q3: Who is authorized to draw down funds?

A3: _____

_____

_____

Q4: What reports are contained in a Direct Loan School Account Statement (DLSAS)?

A4: _____

_____

_____

Q5: The DLSAS comes out _____.

a. weekly

b. monthly

c. quarterly

A5: _____

_____

_____

Notes

Q6: How soon after receiving Direct Loan funds must schools disburse the funds?

A6: _____

_____

_____

Q7: True or False: A borrower transferring from one school to another can continue to use the master promissory note he or she signed at the first school.

A7: _____

_____

_____

Q8: True or False: A school's cash balance for the 1999-2000 academic year will have no effect on its cash balance for the 2000-01 academic year.

A8: _____

_____

_____

Q9: True or False: A borrower attending an Origination Option 1 school decides not to accept certain Direct Loan funds. The decision is made after the funds have been drawn down, but before the school disburses the funds to the borrower. The school may now disburse the funds to another borrower.

A9: _____

_____

_____

Notes

5 How Schools Avoid Problems

Notes

Direct Loan Overview Workshop

Session 5

How Schools Avoid Problems

DATA MANAGEMENT

Direct Loan data must be:

- accurate
- consistent
- submitted to ED in a timely fashion and accepted by the LOC
- safeguarded from being corrupted or lost

Accuracy

Incomplete or incorrect information can have real effects on schools and students.

Accuracy—Scenario #1

A school sends an origination record with missing student demographic information.

The Direct Loan Origination Center (LOC) rejects the record.

- Effect on the school:
  - must take extra time to provide complete information
- Effect on the student:
  - may experience a delay in receiving loan funds

Notes

Accuracy—Scenario #2

A school does not report a disbursement within required 30 days of disbursement.

- Effect on the school:
  - not in compliance
  - potential financial liability
- Effect on the student:
  - loan servicing not prompt and accurate
  - statements received from the DLSC will have inaccurate information about debt load

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Accuracy—Scenario #3

A school does not report an adjustment to a student's loan amount. LOC doesn't have accurate information about how much the student borrowed.

- Effect on the school:
  - not in compliance
  - potential financial liability
- Effect on the student:
  - repays the wrong amount (either too much or too little)
  - charged too much or too little interest on an unsubsidized loan

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Notes

Consistency

Data in a school's own systems must match, such as loan information in:

- financial aid office records and
- business office records

Examples of data that have to match internally are:

- loan disbursements dates
- loan adjustment dates
- loan amounts

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Consistency

If internal data are inconsistent, a school will have trouble:

- reconciling school data with data in ED's systems
- closing out at the end of the year

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Notes

Consistency

If internal data are consistent, every month and at the end of the year...

- a school's internal data systems and fund accounts should match...
- ED's data systems and fund accounts

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Timeliness

Timeliness

Timing is Everything!

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Notes

Timeliness

- The Direct Loan process is so streamlined that it gets money to students quickly
- The process consists of a school and the LOC exchanging student information
- The school's data must be submitted in a way that it's accepted by the LOC
- How a school handles the process can enhance or detract from the timeliness of the Direct Loan Program

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Timeliness

This is why a school should set up its own schedule to:

- support data submission deadlines
- establish internal time frames for school activities, such as:
  - transmitting origination and disbursement records
  - forwarding promissory notes
  - importing acknowledgments
  - conducting monthly reconciliation

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Notes

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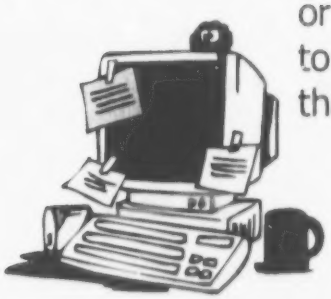
Direct Loan Production Schedule

	Monday	Tuesday	Wednesday	Thursday	Friday
am	Import full records/ acknowledgments			Import full records/ acknowledgments	
	Import PLUS credit updates			Import PLUS credit updates	
	Import prom. note acknowledgments			Import prom. note acknowledgments	
	Import disbursement acknowledgments			Import disbursement acknowledgments	
all day	Enter loan records/changes	Enter loan records/ changes	Enter loan records/changes	Enter loan records/changes	Enter loan records/changes
	Record prom. notes signed	Record prom. notes signed	Record prom. notes signed	Record prom. notes signed	Record prom. notes signed
	Record/adjust disbursements	Record/adjust disbursements	Record/adjust disbursements	Record/adjust disbursements	Record/adjust disbursements
pm			Export full origination records		Export full origination records
		Export change records		Export change records	
		Print prom. notes		Print prom. notes	
			Mail prom. notes to LOC		Mail prom. notes to LOC
		• Print mailing labels for prom. note • batch = today's batch	Export disbursements	• Print mailing labels for prom. note • batch = today's batch	• Export disbursements • Back up data

Notes

A fable...



or backing up is hard to do—but it's better than redoing...

Once upon a time, not too long ago or far away,

Fable 1

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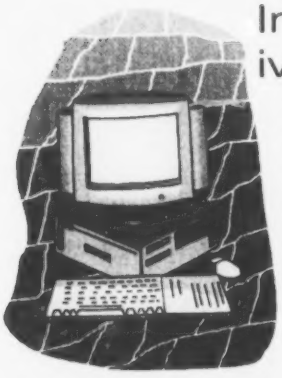
A fable...

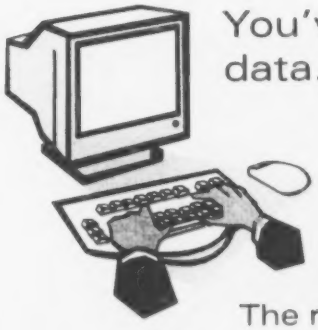


In the land of ivy-covered towers...

You're working under a deadline to get a report to your boss by the end of the day.

Fable - 2

A fable...



You've entered all the data.

The report is finished.

Fable - 3

Notes

A fable...

It's only 3 o'clock.

You've made it with two hours to spare.

Not bad!

Fable 4

A fable...

All you need to do now is press the button to print out the report and...

your computer crashes!

Fable 5

Notes

A fable...

The happy ending...

You've been saving every five minutes.

It will only take a few minutes to recreate the report.

Fable - 6

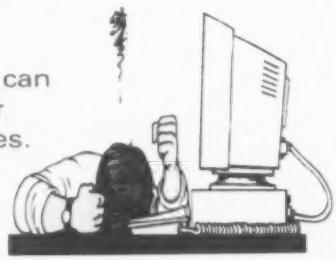
A fable...

The not-so-happy ending...

You haven't been saving as you've gone along.

You'll be lucky if you can get the report to your boss before she leaves.

This could be a long night.



The end

Fable - 7

8/

Notes

Protecting Data

Things can happen

- Your computer system can crash
- The power can go out
- An installation of upgraded software can fail, which, in turn corrupts the data

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Protecting Data

When this happens, what do you do?

- Spend many hours, days, or weeks reconstructing lost or corrupted data?

- Or has your school been methodically backing up data?

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Notes

Protecting Data

Backing up data should be part of your school's production schedule.

- Decide how often to do it
- Adhere to the backup schedule
- Practice recovering data from the backup system

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Quality Assurance Procedures

Quality Assurance (QA) System

A Direct Loan quality assurance (QA) system can help offices cooperate and coordinate their efforts because a QA system is based on:

- strategic planning
- employee involvement
- structured problem solving
- performance measures
- corrective action

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8:1

Notes

Quality Assurance (QA) System

A QA system gives a school a framework for developing Direct Loan procedures that are tailored to its:

- resources
- organizational structure
- students' needs

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Quality Assurance (QA) System

With a QA system, offices and staff get together to:

- identify tasks
- create procedures
- assign responsibility
- monitor the process
- make changes accordingly

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Notes

Quality Assurance (QA) System

In turn, a school generates the information it needs to:

- continually assess and improve Direct Loan policies and procedures
- deliver funds to students efficiently

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Quality Assurance (QA) System

ED does not have specific QA system requirements that a school must follow.

- optional—consult ED's *Direct Loan Quality Assurance Planning Guide*

But each Direct Loan school must:

- establish its own QA system
- document its QA activities in a central file at the school

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TIPS FOR AVOIDING PROBLEMS

See next page for a chart developed from ED's Office of Inspector General (OIG) Direct Loan audit results.

Notes

Tips for Avoiding Direct Loan Data-Management Problems

These recommendations are compiled from results of a Direct Loan Program audit published by ED's Office of Inspector General (OIG) in 1998.

Be Accurate and Consistent:

- Before submitting origination records, promissory notes, and disbursement records to the LOC, be sure that the information is complete and accurate.
- Don't forget to update all the school's record-keeping systems when there's a change in a student's information.
- Monitor the school's student accounts database and the Direct Loan database to find and correct discrepancies quickly.
- Don't forget to send an update to the LOC when there's a change in student information.

Don't Delay:

- Be timely about creating, transmitting, and importing records.
- Make sure data are accepted by the LOC.
- Develop an internal production schedule to keep people and processes on target.

Protect the Data:

- Create a data backup schedule and adhere to it.
- Prepare and practice a recovery plan.
- Ensure that the appropriate level of access is given only to staff members who need access to perform their duties.
- To minimize the risk of inappropriately altering or disclosing student information, issue unique user IDs and passwords to each employee instead of using common or shared IDs and passwords.

Watch the Money:

- Monitor and return excess cash within required time frames.
- Use the Direct Loan School Account Statement (DLSAS) to reconcile the Direct Loan Program every month.

Keep on Top of the Process:

- Create and use your school's QA system to continuously improve Direct Loan procedures and to detect and correct problems.
- Develop and maintain written school policies and procedures for the Direct Loan Program.

SMALL-GROUP DISCUSSION

Your school has passed the implementation stage and is now fully participating in the Direct Loan Program. You are now a member of your school's Direct Loan Management Committee. The committee generally meets once a month. However, an emergency meeting has been called to deal with a problem that was discovered yesterday.

- Your job is to:
  - identify the issues facing your school,
  - decide on the steps your school must take immediately, and
  - assess whether your school needs to change any of its procedures, such as its QA system.

Like the Direct Loan Implementation Committee in Session 3, the Direct Loan Management Committee at your school is composed of:

- Financial aid office director
- Financial aid office associate director for systems
- Financial aid office loan counselor
- Business office associate director
- Student accounts manager
- Student accounts assistant manager
- Business office's loan officer
- Computer center's programmer

Notes

Scenario #1

Top Notch University

Top Notch University is a large, private school. It participates in the Direct Loan Program at the Origination Option 2 level.

Top Notch University's financial aid office asked the school's computer center to run its Wednesday afternoon disbursement-record file for the business office so it can credit Direct Loan funds to students' tuition accounts. The business office initiated the drawdown for these funds the day before, on Tuesday morning. Everything is going according to Top Notch's Direct Loan production schedule. This is especially good since it's the beginning of the academic term and this disbursement tape affects 250 students.

Thursday morning the business office's student accounts manager calls the financial aid director to find out what happened to the disbursement-record file. The financial aid director says, "We've asked the computer center to run the file as scheduled." The student accounts manager says, "Well, we haven't gotten the information." "What's going on?" they both wonder. At just that moment the financial aid director receives an email from the computer center. It says that the computer center has lost the file. It's nowhere to be found. The financial aid office has to recreate the disbursement-record information, which is going to take a bit of time.

- What issues face Top Notch University since the financial aid office has to recreate the disbursement-record information and the school has already drawn down the Direct Loan funds?

- What immediate steps does Top Notch University need to take?

- Are there changes that Top Notch University should make to its procedures? How about its QA system?

Scenario #2

Beneficial Community College

Beneficial Community College is in its first year in the Direct Loan Program. The financial aid office has originated loans, printed and obtained signatures on promissory notes, and submitted the promissory notes to the Loan Origination Center (LOC). Now it is time to make disbursements. After posting funds to students' accounts, the business office sends a report to the financial aid office indicating funds paid. The business office is under the impression that since financial aid has the software in its office and its staff has handled loan records up to this point, that it is the responsibility of the financial aid office to enter and transmit disbursement records to the LOC. However, the financial aid office sees this as a cash function and, therefore, it's a job for the business office. Neither office is willing to take on this additional responsibility.

- What should the school do?

Scenario #3

The Baking School (TBS)

The Baking School (TBS) is a family-run proprietary school. It participates in the Direct Loan Program at the Standard Origination Level. The financial aid office is a one-person operation with a personal computer (PC).

TBS has an annual enrollment of approximately 200 students. Generally, half of the students borrow from the Direct Loan Program each year.

One evening, as the financial aid officer was installing some new software, the PC crashed. The data in the system were completely corrupted.

- What issues face TBS since its Direct Loan database is unusable?

- What immediate steps does TBS need to take?

- Are there changes that TBS should make to its procedures? How about its QA system?

6 Where Schools Find Help

Direct Loan Overview Workshop

Session Six

Where Schools Find Help

Fill in the information about your region's lead CAM, or look for it on page 6 of this guide.

Notes

Direct Loan Origination Center (LOC)

Customer service: **1-800-848-0978**
8 am to 8 pm (ET)

Contact the LOC:

- for specific processing issues
- when there are problems with a loan being booked
- to order Direct Loan forms and publications in bulk
- to ask questions about origination, promissory note processing, and reconciliation issues

Direct Loan Servicing Center (DLSC)

Customer service: **1-888-877-7658**
8 am to 8 pm (ET)

Contact the DLSC:

- with borrower services queries
- about delinquent accounts and collections

Notes

ED Systems

Accounting and Financial Management Service (AFMS)

Direct Loan Operations: 1-202-205-6466
8 am to 4:30 pm (ET)

Contact AFMS:

- with Direct Loan payment (GAPS) queries
- monthly reconciliation (DLSAS) questions
- program year close-out queries

ED Systems

Central Processing System (CPS) customer service:

1-800-330-5947
8 am to 8 pm (ET)

National Student Loan Data System (NSLDS) customer service:

1-800-999-8219
8 am to 8 pm (ET)

Title IV WAN customer service:

1-800-615-1189
7 am to 10 pm (CT)

Notes

Borrower Information

Federal Student Aid Information Center:

1-800-4-FED-AID

8 am to 8 pm (ET)

Direct Loan Servicing Center:

1-800-848-0979

8 am to 8 pm (ET)

Feel Free to Contact....

Direct Loan Task Force

Phone: 1-202-708-9951

7 am to 5 pm (ET)

Fax: 1-202-401-3424

Email: Direct_Loans@ed.gov

Notes

Directory for the Direct Loan Program

INTRODUCTION

This directory provides contact information for Direct Loan client account managers (CAMs), other Direct Loan Program contacts, Direct Loan information on the Web, and Direct Loan publications.

The information is provided in formats that are easy to photocopy and distribute to staff members.

CONTENTS

Direct Loan Client Account Managers (CAMs) 5

Other Direct Loan Program Contact Information 7

Additional Important Title IV Contact Information 8

Web Sites 10
- About Direct Loans 10
- For Financial Aid Professionals 10

Publications 11
- Key Title IV Publications 11
- Direct Loan Publications 11

DIRECT LOAN CLIENT ACCOUNT MANAGERS (CAMs)

Client account managers (CAMs) at the U.S. Department of Education (ED) help schools implement and operate the Direct Loan Program. They provide customer service and technical assistance, as well as answering questions about federal student financial aid programs and policy.

Contact CAMs first with any Direct Loan questions or problems.

A list showing the lead CAM in each regioa along with contact information is on the next page.

Direct Loan Client Account Managers (CAMs)—Regional Leads

Region	Name and Address	Phone, Email, and Fax	States Served
Region I	David Sola (Lead)) 10 Causeway Street 3rd Floor, Room 341 Boston, MA 02222	phone: 617-565-6911 email: david_sola@ed.gov fax: 617-565-8636	Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, and Vermont
Region II	Marie Carroll (Lead) 75 Park Plaza, 12th Floor New York, NY 10007	phone: 212-264-8012 email: marie_carroll@ed.gov fax: 212-264-1666	New Jersey, New York, Puerto Rico, and the U.S. Virgin Islands
Region III	Gary Smith (Lead) Wanamaker Building 100 Penn Square East, Suite 513 Philadelphia, PA 19107	phone: 215-656-5929 email: gary_smith@ed.gov fax: 215-656-5964	Delaware, District of Columbia, Maryland,Pennsylvania, Virginia, and West Virginia
Region IV	Connie Kaschub (Lead) 61 Forsyth Street, SW Room 18T20-A Atlanta, GA 30303	phone: 404-562-6259 email: connie_kaschub@ed.gov fax: 404-562-6283	Alabama, Florida, Georgia, Kentucky, Mississippi, North Carolina, South Carolina, and Tennessee
Region V	George Gevelinger (Lead) 111 North Canal St., Suite 830 Chicago, IL 60606-7206	phone: 312-886-8766 email: george_gevelinger@ed.gov fax: 312-886-6737	Illinois, Indiana, Michigan, Ohio, and Wisconsin
Region VI	Ed Farrar (Lead) 1999 Bryan Street, Suite 2735 Dallas, TX 75201	phone: 214-880-2405 email: c._edwin_farrar@ed.gov fax: 214-880-2402	Arkansas, Louisiana, New Mexico, Oklahoma, and Texas
Region VII	Mark Walsh (Lead) 7505 Tiffany Springs Pkwy. Suite 500 Kansas City, MO 64153-1367	phone: 816-880-4090 email: mark_walsh@ed.gov fax: 816-891-8713	Iowa, Kansas, Missouri, and Nebraska
Region VIII	Mike Clark (Lead) 1391 N. Speer Blvd., Suite 800-A Denver, CO 80204-2512	phone: 303-844-3677 email: mike_clark@ed.gov fax: 303-844-5756	Colorado, Minnesota, Montana, North Dakota, South Dakota, Utah, and Wyoming
Region IX	Bonnie Gonzalez (Lead) 50 United Nations Plaza Room 121 San Francisco, CA 94102-4987	phone: 415-556-4210 email: bonnie_gonzalez@ed.gov fax: 415-437-8852	Arizona, California, Hawaii, Nevada, American Samoa, Guam, the Federated States of Micronesia, the Republic of Palau, the Republic of the Marshall Islands, and the Commonwealth of the Northern Marianas
Region X	Barry Shine (Lead) 1000 Second Avenue, Suite 1200 Seattle, WA 98104-1023	phone: 206-287-9840 email: barry_shine@ed.gov fax: 206-553-0800	Alaska, Idaho, Oregon, and Washington

OTHER DIRECT LOAN PROGRAM CONTACT INFORMATION

Accounting and Financial Management Service (AFMS) Direct Loan Operations—For questions about Direct Loan payments (GAPS), monthly reconciliation (DLSAS), and program year-end closeout.

fax:	———	**phone:**	1-202-205-6466
email:	———	**hours:**	8 am to 4:30 pm (ET)

Direct Loan Customer Support and Technical Support—for information about Direct Loan record layout, custom/combo school questions, support, school-created interfaces with EDExpress software, interpreting the Direct Loan technical reference, dealing with errors, and on-site support

fax:	———	**phone:**	1-800-330-5947
email:	cps@ncs.com	**hours:**	8:30 am to 8 pm (ET)

Direct Loan Origination Center—to order Direct Loan bulk forms and publications, change origination status, and ask questions about loan origination, alternative origination processing, promissory note processing, batch processing, and reconciliation issues

fax:	1-800-557-7396	**phone:**	1-800-557-7394 applicant services
email:	loan_origination@mail.eds.com	**phone:**	1-800-557-7392 Direct Loan consolidation
phone:	1-800-848-0978 school services	**hours:**	8 am to 8 pm (ET)

Direct Loan Servicing Center—for support, borrower services, payment center, and collections

fax:	1-800-848-0984	**phone:**	1-800-557-7392 Direct Loan Consolidation Department
email:	———	**phone:**	1-800-557-7395 Direct Loan Consolidation TTD
phone:	1-888-877-7658 school services	**phone:**	1-800-848-0979 borrower services

phone:	1-800-848-0981 delinquent accounts & collections	**phone:**	1-800-848-0983 general TTD
phone:	1-800-848-0982 Direct Loan consolidation	**hours:**	8 am to 8 pm (ET)

Direct Loan Task Force—for questions about program development and coordination and as last resort for customer-service issues that need resolution

fax:	1-202-401-3424	**phone:**	1-202-708-9951
email:	Direct_Loans@ed.gov	**hours:**	7 am to 5 pm (ET)

ADDITIONAL IMPORTANT TITLE IV CONTACT INFORMATION

Automated Application Ordering System (AOS)—for ordering FAFSAs and Student Guides in bulk

fax:	———	**phone:**	1-800-284-2788 (have your mailing list number ready)
email:	———	**hours:**	24 hours a day, 7 days a week

Central Processing System (CPS)—for customer service, including EDExpress software, EDE and SSCR technical references, information about data submitted to CPS, and renewal application data/year-to-date requests

fax:	1-319-358-4260	**phone:**	1-800-330-5947 (no charge for Direct Loan schools)
email:	cps@ncs.com	**hours:**	8 am to 8 pm (ET)

Customer Support Branch (at ED)—for operational and policy questions for all SFA programs and as an advocate within ED's student financial aid programs

fax:	1-202-260-4199	**phone:**	1-800-433-7327
email:	csb@ed.gov	**hours:**	9 am to 5 pm (ET)

Federal Student Aid Information Center—for general questions, single copies of federal financial aid publications, and to give to students as a general information phone number

fax:	———	**phone:**	1-800-433-3243 (1-800-4-FED-AID)
email:	———	**hours:**	8 am to 8 pm (ET)

Free Application for Federal Student Aid (FAFSA) Express—for customer service for diskette and Web versions of FAFSA Express, status checks, and modem/printer configuration questions

fax:	———	**phone:**	1-800-801-0576 hotline
email:	cps@ncs.com	**hours:**	8 am to 11 pm (ET)

Information for Financial Aid Professionals (IFAP) Web site—for IFAP Web site information and assistance

fax:	1-202-260-4199	**phone:**	1-800-433-7327
email:	csb@ed.gov	**hours:**	8 am to 5 pm (ET)

National Student Loan Data System (NSLDS)—for customer service, including support for SSCRs, default rate calculation, NSLDS online functions (including sign-up, logon assistance, password reset, and screen navigation), and computer-based training materials

fax:	1-903-457-4878	**phone:**	1-800-999-8219
email:	———	**hours:**	8 am to 8 pm (ET)

Title IV Wide Area Network (Title IV WAN/TIV WAN)—for customer service, including Title IV WAN enrollment and questions, signing up for EDE; obtaining software for EDConnect, NET*CONNECT, and OPEnet; and obtaining software manuals and user guides

fax:	1-319-339-6983	**phone:**	1-800-615-1189 (no charge for Direct Loan schools)
email:	t4wan@ncs.com	**hours:**	7 am to 10 pm (CT)

WEB SITES

About Direct Loans

The U.S. Department of Education (ED) offers extensive information for Direct Loan schools and borrowers at

- ▶ **http://www.ed.gov/DirectLoan**

Among the material available there for **schools**:

- ✔ An electronic library of technical directives for financial aid administrators that can be downloaded, including the latest regulatory guidelines, Direct Loan Bulletins, "Dear Colleague" letters, Direct Loan Newsletters, and publications and guides.
- ✔ A link to the Grant Administration and Payment System (GAPS).
- ✔ Links to Web sites of other Direct Loan schools. (If you would like your institution's Web site added to this Direct Loan school list, send your school's name and Web site address to

  - ▶ **erica_smith@ed.gov**

    OR

  - ▶ **joyce_rice@ed.gov**

Among the material available there for **borrowers**:

- ✔ An electronic library of publications and applications that can be downloaded, including Direct Loan guides, FAFSA on the Web, Direct Loan deferment and forbearance forms, and an application for a Direct Consolidation Loan.
- ✔ Online loan account information that allows borrowers to check current loan status.
- ✔ An interactive budget calculator to help borrowers estimate how much it will cost to go to school and create a budget for school and living expenses.
- ✔ An interactive repayment calculator to show borrowers the initial monthly payments they would make under each of the Direct Loan repayment plans; it also has a Direct Consolidation Loan feature.
- ✔ Answers to the most frequently asked borrower questions.

Suggestions? Send email to

- ▶ **Direct_Loans@ed.gov**

For Financial Aid Professionals

The official ED Web site for financial aid administrators and consultants is Information for Financial Aid Professionals (IFAP). It is located at

- ▶ **http://ifap.ed.gov**

IFAP features:

- ✔ An electronic library of financial aid information that can be downloaded, including handbooks, guides, and regulations.
- ✔ An electronic reference desk allowing financial aid professionals to contact ED's customer services, set-up personalized search criteria, or join an interest group to share information.
- ✔ Links to other ED financial aid services, including information about training and an online registration page for federal student financial aid Electronic Access Conferences.

For more information or assistance, contact IFAP customer support at **1-800-433-7327** (9 am to 5 pm [ET]).

PUBLICATIONS

Most federal student financial aid publications are available from ED's Web site at

- ▶ **http://ifap.ed.gov**

or by calling the Federal Student Aid Information Center at

- ▶ **1-800-433-3243 (1-800-4-FED-AID)** (8 am to 8 pm [ET]).

Key Title IV Publications

- ✔ *Student Financial Aid Handbook*—the comprehensive, tell-all "bible" about federal student financial aid for school financial aid administrators
- ✔ *Compilation of Student Financial Aid Regulations*—federal regulations dealing with student financial aid, including the Student Assistance General Provisions (the Loan Origination Center sends one to each Direct Loan school in the school's welcome package)
- ✔ *Payee Guide for the Grant Administration and Payment System (GAPS)*—information on the operations and procedures for grants and contracts that are paid through GAPS
- ✔ *The Blue Book*—information on accounting and record keeping responsibilities for federal student financial aid programs; it is written especially for school fiscal officers

Direct Loan Publications

Publications dealing specifically with the Direct Loan Program can be ordered by

phone: 1-800-848-0978;

fax: 1-800-557-7396;

email: loan_origination@mail.eds.com; or

mail: U.S. Department of Education
Loan Origination Center
P.O. Box 5692
Montgomery, AL 36103-5692

The following can be ordered in bulk unless noted otherwise. Most can be downloaded from ED's Web sites at **http://www.ed.gov/DirectLoan** or **http://ifap.ed.gov**

- ✔ *All About Direct Loans* (brochure)—gives students detailed information about the Direct Loan program, including loan repayment information, deferment provisions, and the consequences of default
- ✔ *Direct Consolidation Loan Guide* (booklet)—provides detailed information about Direct Consolidation Loans, which are available to both student and parent borrowers
- ✔ *Direct Loan School Guide* (book)—provides clear, comprehensive guidance to schools on how to implement and administer the Direct Loan Program (not available in bulk; the Loan Origination Center sends one to each Direct Loan school in the school's welcome package)
- ✔ *Direct Loan Quality Assurance Planning Guide* (book)—provides the how-to of setting up a school's quality assurance compononent of the Direct Loan Program; updated yearly
- ✔ *Direct Loans: A Better Way to Borrow* (brochure)—summarizes the Direct Loan Program; includes information on application procedures and loan limits
- ✔ *Direct PLUS Loan Basics* (pamphlet)—gives a basic overview of Direct PLUS Loans for parent borrowers
- ✔ *Direct PLUS Loans Guide* (booklet)—provides detailed information on Direct PLUS Loans for parent borrowers, including eligibility criteria, the application process, credit check procedures, and determining how much they can afford to borrow
- ✔ *Entrance Counseling Guide for Borrowers* (booklet)—provides information that schools are required to give student borrowers
- ✔ *Entrance Counseling Guide for Counselors* (booklet)—offers tips on what to cover during entrance counseling
  - ◆ An entrance counseling video (about 20 minutes long) also is available
- ✔ *Exit Counseling Guide for Borrowers* (booklet)—provides information that schools are required to give student borrowers
- ✔ *Exit Counseling Guide for Counselors* (booklet)—explains what schools must cover during exit counseling and gives a topic outline
  - ◆ An exit counseling video (about 20 minutes long) also is available
- ✔ *The Inside Scoop for Borrowers: The New 1999-2000 Master Promissory Note for Direct Loan Borrowers* (pamphlet)—provides borrowers with plain-language information on the 1999-2000 master promissory note (MPN)
- ✔ *Repayment Guide* (booklet)—explains the four Direct Loan Program repayment plans in detail and includes repayment tables, worksheets, and charts (not available in bulk; the Loan Origination Center sends one to each Direct Loan school in the school's welcome package)

For all other publications, call **1-800-433-3243 (1-800-4-FED-AID)**.

7 Wrap Up

Direct Loan Overview Workshop

Session Seven

Wrap Up

Information on Training

- ED's Information for Financial Aid Professionals (IFAP) Web site
  http://ifap.ed.gov
- National Association of Student Financial Aid Administrators (NASFAA) Web site
  http://www.nasfaa.org
- Your CAM

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10.)

Notes

Thanks...

for filling out an evaluation form.

And thanks for taking part in the workshop!

Notes

TEN FREQUENTLY ASKED QUESTIONS (FAQS)—AND ANSWERS—ABOUT THE DIRECT LOAN PROGRAM

Q1. Is there information about Direct Loans on the Web?

A1. Yes, the U.S. Department of Education (ED) offers extensive information on the Direct Loan Program (for both schools and borrowers) at **http://www.ed.gov/DirectLoan**

Q2. Where does a school get Direct Loan publications?

A2. Schools can order direct-lending publications in bulk from the Direct Loan Origination Center at **1-800-848-0978**. Publications also can be downloaded from ED's Web site at **http://ifap.ed.gov**

Q3. Who should borrowers go to with questions about their Direct Loans?

A3. Student and parent borrowers can get answers to questions about their Direct Loans from the Direct Loan Servicing Center, online at **http://www.dlservicer.ed.gov** or by phone at **1-800-848-0979.**

Q4. How does my school change its origination level?

A4. Contact your regional Direct Loan client account manager (CAM) or the Direct Loan Task Force at **202-708-9951.**

Q5. Can a Direct Loan school choose to offer Direct Subsidized Loans but not offer Direct Unsubsidized Loans?

A5. Yes. A school may offer Direct Subsidized Loans without offering Direct Unsubsidized Loans. However, a school is not allowed to offer only Direct Unsubsidized Loans.

Q6. Can a Direct Loan school opt not to offer Direct PLUS Loans to parents? If so, is the school's non-participation in the Direct PLUS

Notes

Loan portion of the program an acceptable reason to award a dependent student an "additional" Direct Unsubsidized Loan amount?

A6. Yes, Direct Loan schools can opt to offer only Direct Subsidized Loans and Direct Unsubsidized Loans. And, yes, if a school chooses not to offer Direct PLUS Loans for parents, that's an acceptable reason to award a dependent student the additional Direct Unsubsidized Loan amount.

Q7. If one parent is turned down for a Direct PLUS Loan, must the other apply before the student is eligible for an additional Direct Unsubsidized Loan amount?

A7. No. Only one parent needs to apply for a Direct PLUS Loan.

Q8. Is a stepparent eligible for a Direct PLUS Loan?

A8. If a stepparent's income was used in determining the student's Expected Family Contribution (EFC), then the stepparent is eligible to apply for a Direct PLUS Loan.

Q9. Is a legal guardian eligible for a Direct PLUS Loan?

A9. No, because a legal guardian isn't the student's parent, he or she isn't eligible for a parent's Direct PLUS Loan.

Q10. What is the best way to set up Direct Loan processing for branch campuses?

A10. It depends on how a school defines a branch campus, wants to interact with branch campuses, and prefers for funds to be handled. Here are two approaches.

- Approach 1: one campus could do all the Direct Loan processing for all the campuses *or*
- Approach 2: all the branch campuses could do most of the processing themselves.

With either approach, branch campuses that aren't considered separate entities may not do their own drawdowns.

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